U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF INSPECTOR GENERAL

AUDIT WORKPLAN SUMMARY

FISCAL YEAR 2000

MEMORANDUM

TO: The Secretary
Solicitor
Assistant Secretaries
Heads of Bureaus and Offices

FROM: Earl E. Devaney
Inspector General

SUBJECT SUMMARY: Audit Workplan Summary for Fiscal Year 2000

The Audit Workplan Summary for fiscal year 2000 is provided for your information and use. Most of the audits included in the Workplan were either mandated by statute, directed by the Office of Management and Budget, or requested by Congress or by Departmental officials. In that regard, a major portion of this nondiscretionary work consists of 10 financial statement audits and financial related reviews of Departmental bureaus and offices. While these financial statement and financial related examinations have resulted in improvements in both the accounting systems and financial management within the Department, they have also significantly reduced the effort we can dedicate to audits planned (discretionary) by our office, which have historically identified significant cost avoidances and increased potential revenues.

In identifying the discretionary audits included in this Workplan, we considered factors such as the dollar significance of the activity, the length of time since the activity was last audited, the likely impact of the activity on the protection of assets and/or program operations, and the potential for fraud and abuse in the activity. We also considered agency performance goals and material weaknesses of the Department that had been identified by our office, the General Accounting Office, and Departmental officials. The Workplan was designed to be flexible so that changes can be made during fiscal year 2000 to accommodate other reviews that may be mandated or requested.

If you have any questions about specific audits of bureau programs and activities included in the Workplan, you may contact the Director assigned to your bureau or office. In that regard, the Acting Director for audits of financial statements and financial-related activities for all bureaus is Mr. Curtis Crider at (202) 208-5724; the Director for the U.S. Fish and Wildlife Service, the National Park Service, the U.S. Geological Survey, and the Departmental Offices is Ms. Elaine Weistock at (202) 208-5607; the Director for Bureau of Indian Affairs, the Bureau of Reclamation, and the Office of the Special Trustee for American Indians is Mr. Andy Fedak at (202) 208-5659; the Director for the Bureau of Land Management, the Minerals Management Service, and the Office of Surface Mining Reclamation and Enforcement is Mr. Al Klein at (202) 208-5482; and the Director for the insular areas is Mr. Arnold van Beverhoudt at (340) 774-8300. Questions regarding audits of contracts and grants or the administration of single audits and negotiations of indirect cost rates may be addressed to Mr. Roger La Rouche, Director of External Audits, at (202) 208-5520.

Additional copies of the Workplan for fiscal year 2000 may be obtained by contacting Mr. Rick Farr, Office of the Assistant Inspector General for Management and Policy, at (202) 208-4599 or from our Internet Web site at www.oig.doi.gov.

cc: Audit Liaison Officers

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FACT SHEET

THE NATIONAL DRUG CONTROL PROGRAM, BUREAU OF INDIAN AFFAIRS, NATIONAL PARK SERVICE, U.S. FISH AND WILDLIFE SERVICE, AND BUREAU OF LAND MANAGEMENT

TYPE OF AUDIT

Financial

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The mission of the Office of National Drug Control Policy is to decrease the incidences of unlawful drug use, the availability of designated unlawful drugs, and drug-related crime. Public Law 105-277, the Omnibus Consolidated Appropriations Act for Fiscal Year 1999, Title VII, reauthorized the Office of National Drug Control Policy and established new Drug Control Program requirements. Specifically, the law required agencies that received Program funds to submit to the Program Director by February 1 of each year "detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous year." It also required Offices of Inspector General to "authenticate" these accounting reports and to submit to the Congress by April 1 of each year "the information submitted to the Director" pertaining to the accounting of and the authentication of Program funds.

Within the Department of the Interior, four bureaus receive Program funds. For fiscal year 1998, these bureaus received Program funding of $36.7 million as follows: Bureau of Indian Affairs, $21.3 million; Bureau of Land Management, $5.0 million; the National Park Service, $9.4 million; and the U.S. Fish and Wildlife Service, $1.0 million. The bureaus received funding of $33.0 million for fiscal year 1999 and expected to receive funding of $33.4 million for fiscal year 2000.

The Bureau of Land Management and the National Park Service maintained accounts to record Program costs in fiscal year 1998. However, officials from these bureaus said that not all associated costs may have been recorded in the Program accounts. The Bureau of Indian Affairs and the Fish and Wildlife Service did not maintain separate accounts for recording Program costs.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to validate assertions made by the Bureau of Indian Affairs, the Bureau of Land Management, the U.S. Fish and Wildlife Service, and the National Park Service regarding reported expenditures in fiscal year 1999 of National Drug Control Program funds.

FACT SHEET

VALUE ENGINEERING PROGRAM, DEPARTMENT OF THE INTERIOR

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Improve property and procurement management.

BACKGROUND

Value engineering is an analysis of the functions of a program, project, system, product, item of equipment, building, facility, service, or supply of an executive agency that is performed by qualified agency or contractor person to improve performance, reliability, quality, safety, and life cycle costs, according to the United States Code (401 U.S.C. et seq.), as amended. To implement value engineering programs in Federal agencies, the Office of Management and Budget issued Circular No. A-131, "Value Engineering." The circular requires Federal agencies to (1) designate a senior-level management official to monitor and coordinate agency value engineering efforts, (2) develop criteria and guidelines for in-house personnel and contractors to identify programs and projects that have potential for savings through use of value engineering techniques, (3) provide value engineering training, (4) ensure necessary funds are requested for the value engineering program, (5) maintain files on value engineering projects , (6) develop annual value engineering plans, and (7) report annually to the Office of Management and Budget on agency value engineering activities. The circular also requires the Office of Inspector General to "periodically" audit agency-reported value engineering savings.

For fiscal year 1998, the Department reported to the Office of Management and Budget that the Department had savings of $8.3 million and cost avoidances of $32.9 million from its value engineering program. It also reported that it had invested $2.3 million in its value engineering program in fiscal year 1998. Of the Department's top 20 value engineering projects, 15 were National Park Service, 3 were Bureau of Reclamation, and 2 were U.S. Fish and Wildlife Service projects.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Department of the Interior submitted accurate and timely reports to the Office of Management and Budget on its fiscal year 1998 and 1999 (if available) value engineering program results; complied with the requirements of Office of Management and Budget Circular No. A-131, "Value Engineering"; and implemented the recommendations in the Office of Inspector General audit report "Value Engineering Program, Department of the Interior" (No. 97-I-1293), issued in September 1997.

FACT SHEET

COMPLIANCE WITH OFFICE OF MANAGEMENT AND BUDGET CIRCULAR NO. A-76, "PERFORMANCE OF COMMERCIAL ACTIVITIES," DEPARTMENT OF THE INTERIOR

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Improve property and procurement management.
Manage natural resources for a healthy environment and a strong economy.

BACKGROUND

In March 1979, the Office of Management and Budget issued Circular No. A-76, "Performance of Commercial Activities." The circular, which was revised in 1983 and again in 1996, established procedures for determining whether Governmental activities and functions should be performed in-house using Government facilities and personnel or under contract with commercial sources. According to the circular, the Government "should not compete with its citizens" but should rely on commercial sources to supply Government products and services "to achieve economy and enhance productivity." The circular further stated that only functions which are "inherently Governmental in nature" should be excluded from consideration as a commercial means of providing Governmental goods and services.

Until October 1992, the Office of Management Improvement, under the Assistant Secretary for Policy, Management and Budget, was responsible for implementation of Circular No. A-76. After that time, the Office of Management Improvement was abolished, and responsibility for the circular was transferred to the Office of Acquisition and Property Management. The Department of the Interior's Departmental Management Annual Performance Plan for Fiscal Year 2000 had no established goals for Circular A-76 program accomplishments.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Department of the Interior and the bureaus complied with requirements of Office of Management and Budget Circular No. A-76, "Performance of Commercial Activities,"or performed alternative studies to achieve the circular's objectives. The scope of the audit will include a review of completed, ongoing, and scheduled analyses or productivity/privatization reviews that were performed from fiscal years 1996 to the present.

FACT SHEET

IMPLEMENTATION OF THE CLINGER-COHEN ACT OF 1996, DEPARTMENT OF THE INTERIOR

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Improve procurement management.

BACKGROUND

In February 1996, the Congress passed the Information Technology Management Reform Act of 1996 (under Public Law 104-106), which was renamed the Clinger-Cohen Act. The Act requires the Director, Office of Management and Budget, to assume responsibility for improving the acquisition, use, and disposal of information technology by the Federal Government; develop a process for analyzing, tracking, and evaluating major capital investments in information systems; oversee the development and implementation of technology system standards and guidelines; assess technology use; and issue direction to executive agencies. According to the Act, this direction should require that the agencies (1) establish effective processes for selecting, managing, and evaluating major information system investments; (2) determine whether the function supported by the information system should be performed by the private sector or by the agency; (3) analyze the agency's mission before making major information technology investments; and (4) ensure that information security policies, procedures, and practices are adequate.

The Act also requires each executive agency to undertake specific information technology actions. For example, agencies are required to establish a system for (1) the selection of information technologies, (2) the integration of the systems with the processes for budgeting and managing agency programs, (3) the determination of criteria for considering information system technologies, (4) the identification of systems that would provide shared benefits, (5) the establishment of measures for the risks and benefits of technology investments, and (6) the timely issuance of information on progress made with regard to technology investments. Also, the Act requires that executive agency heads establish performance goals and submit to the Congress annual reports on goal accomplishments related to information technology activities and that they designate a Chief Information Officer to assist, facilitate, and promote efficient use of technology investments. During the 5-year period beginning in 1996, executive agencies are required to achieve at least a 5 percent decrease in information technology operation and maintenance costs and a 5 percent increase in efficiency of operations annually.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Department of the Interior has complied with provisions of the Clinger-Cohen Act with regard to issuing and implementing procedures for efficient, effective, and necessary information technology investments; establishing and monitoring performance goals related to information technology activity; and submitting the required annual report to the Congress. The audit also will determine whether the Department has taken action to achieve the Act's 5-year goals for decreasing costs and increasing operational efficiencies.

FACT SHEET

DEPARTMENT OF THE INTERIOR CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 1999 AND 1998

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the consolidated financial statements of the Department of the Interior for fiscal years 1999 and 1998 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Department complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Department complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

DEPARTMENTAL OFFICES FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Departmental Offices comprise the Office of the Secretary; the Office of the Solicitor; the Office of Inspector General; the Office of International Affairs; and the Office of Policy, Management and Budget, which includes the Office of Construction Management and the Working Capital Fund (including the Office of Aircraft Services).

The Office of the Secretary, including the Office of Policy, Management and Budget, provides executive direction and management for the Department of the Interior. The Office of the Solicitor provides legal services for all components of the Department. The Office of Inspector General provides audit and investigative services for the Department. The Working Capital Fund was established to provide required central services to the Departmental offices and bureaus on a reimbursable basis.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the financial statements of the Departmental Offices for fiscal years 2000 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Departmental Offices complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Departmental Offices complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

GENERAL CONTROLS OVER AUTOMATED INFORMATION SYSTEMS AT THE NATIONAL BUSINESS CENTER, OFFICE OF THE SECRETARY

TYPE OF AUDIT

Performance (economy and efficiency and program results)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The National Business Center, Office of the Secretary, Department of the Interior, is responsible for operating and maintaining Departmental administrative systems. As part of this responsibility, the Business Center operates two automated data processing (ADP) service centers: Federal Systems and Services, located in Reston Virginia, and Products and Services, located in Lakewood, Colorado. These centers provide ADP services to all Departmental bureaus and to other Federal agencies. The centers support planning for, acquiring, developing, implementing, and operating and maintaining standardized Departmentwide administrative systems. For example, the National Business Center ADP service centers:

- Oversee software modifications to the Federal Financial System (FFS) for all Departmental bureaus and other clients.

- Lease the mainframe computer for which the FFS applications are housed for the Bureau of Indian Affairs, the National Park Service, the Office of the Special Trustee for American Indians, the U.S. Geological Survey, and other Federal agencies.

- Maintain and operate the mainframe computer in Denver that houses the FFS applications for the Bureau of Land Management, the Bureau of Reclamation, the U.S. Fish and Wildlife Service, and other Federal agencies.

- Implement and maintain the Department's standardized automated procurement system, the Interior Department Electronic Acquisition System (IDEAS).

- Provide computer services and operational support for the Governmentwide Federal Procurement Data System (FPDS).

- Provide, through the Federal Personnel Payroll System (FPPS), personnel and payroll services to Departmental bureaus and other Federal agencies. This includes maintaining more than 200,000 employee accounts nationwide, processing personnel actions, and processing biweekly time and attendance reporting and payroll.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the National Business Center had developed adequate general controls over its automated information systems and (2) the National Business Center's leasing agreement for the use of the mainframe computer ensured that data are adequately safeguarded. The scope of the audit will include a review of security program development, physical and logical access, software development and change management, segregation of duties, and continuity of services. In addition, we will determine whether the general controls established and implemented were in compliance with the Federal Financial Management Improvement Act.

FACT SHEET

OVERSIGHT OF AUDIT OF FINANCIAL STATEMENTS FOR FISCAL YEAR 1999 FOR THE OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS TRIBAL, INDIVIDUAL INDIAN MONIES, AND OTHER SPECIAL TRUST FUNDS MANAGED BY THE OFFICE OF TRUST FUNDS MANAGEMENT

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data, and meet responsibilities to Indians.

Office: Protect and preserve Indian trust assets, and collect and accurately account for income due beneficiaries.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Secretary of the Interior has been designated by the Congress as the U.S. Government trustee on behalf of the account holders of Indian Trust Funds. Through February 8, 1996, the Secretary delegated the authority for management of the Indian Trust Funds to the Assistant Secretary for Indian Affairs, who carried out management of the Indian Trust Funds through the Office of Trust Funds Management, Bureau of Indian Affairs. On February 9, 1996, the Secretary transferred management of Indian Trust Funds from the Bureau to the newly established Office of the Special Trustee for American Indians, within the Office of the Secretary. The Office of Trust Funds Management was also transferred from the Bureau of

Indian Affairs to the Office of the Special Trustee, but administrative support of the Office of Trust Funds Management continued to be provided by the Bureau of Indian Affairs.

The Office of Trust Funds Management has contracted with a public accounting firm to audit the financial statements of the Indian Trust Funds. The financial audit of the operations of the Office of the Special Trustee and the Office of Trust Funds Management will be included in the audit of the financial statements of the Departmental Offices, which is performed by the Office of Inspector General. Office of Management and Budget Bulletin 93-06, "Audit Requirements for Federal Financial Statements," requires the Inspector General to provide oversight of audits performed by independent external auditors pursuant to the Chief Financial Officers Act of 1990.

AUDIT OBJECTIVE AND SCOPE

As required by Section 10 of Bulletin 93-06, "Audit Requirements for Federal Financial Statements," the Office of Inspector General will (1) ensure that audits of independent external auditors are performed in accordance with the requirements of the bulletin, (2) provide technical advice and liaison to agency officials and independent external auditors, (3) make quality reviews of audits made by independent external auditors and provide the results to other interested parties, and (4) monitor and report on management's progress in resolving audit findings reported by the independent external auditors. The independent external auditor is to audit the financial statements of the Indian Trust Funds for fiscal year 1998.

FACT SHEET

TRUST MANAGEMENT IMPROVEMENT PROJECT, OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.
Office: Protect and preserve Indian trust assets, and collect and accurately account for income due beneficiaries.

BACKGROUND

With the enactment of the American Indian Trust Fund Management Reform Act of 1994, the Office of the Special Trustee for American Indians was established. As part of the Act, the Special Trustee is to discharge the trust responsibilities of the United States to individual Indians and Indian tribes by providing the following:

- Adequate systems for accounting for and reporting trust fund balances.
- Adequate controls over receipts and disbursements.
- Periodic, timely reconciliations to ensure the accuracy of accounts.
- Accurate cash balances.
- Periodic statements of the Indians' and the tribes' account performance, with daily balances of their accounts.

In response to the requirements of the Act, the Office of the Special Trustee performed a needs analysis from December 1996 to April 1997, which identified the need for a trust accounting and asset management system that would meet commercial trust fiduciary standards. The system is to provide trust asset management through the integration of the Land Records Information System and other Bureau of Indian Affairs systems and to provide trust accounting to individual Indians and tribes in the following areas:

- Periodic statements and transaction reports.
- Daily balances.
- Online access to account balances by the individual Indian and tribe.
- Standardized trust accounting.

In October 1997, the Office of the Special Trustee submitted a request for proposal to acquire a commercially standard trust accounting and asset management system for individual Indians. With the award of a contract and in conjunction with Bureau of Indian Affairs efforts to "clean up" ownership data in its systems, the contractor developed a "prototype" Trust Funds Accounting System (TFAS) to demonstrate the ability of the System to provide the needed functions. The Trust Funds Accounting System is a component of the overall Trust Accounting and Asset Management System. The prototype was completed by September 1998 and had its pilot in the Phoenix Area Office. By December 1999, the Office of the Special Trustee plans to have TFAS implemented in all 12 area offices. In addition, a contract has been awarded for the Trust Asset and Accounting Management System (TAAMS), which will require additional data cleanup and systems for piloting to address trust management and asset issues. The Office of the Special Trustee requested $100 million for fiscal year 2000, which will provide for the continuation of data cleanup, systems implementation, appraisal and probate backlog reductions, and related improvement activities.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to evaluate the progress of the Office of the Special Trustee for American Indians in implementing the Trust Accounting and Asset Management System. Specifically we will determine whether the System will meet stated objectives of a trust accounting and asset management system and will have adequate automated information system general and application controls to ensure future data integrity. Additionally, we will determine whether the cleanup efforts were effective.

FACT SHEET

ACCOUNTING FOR REIMBURSABLE EXPENDITURES OF ENVIRONMENTAL PROTECTION AGENCY SUPERFUND MONIES, U.S. FISH AND WILDLIFE SERVICE

TYPE OF AUDIT

Financial (financial related)

PERFORMANCE GOALS

Department: Protect the environment, and preserve resources.
Clean up the land.

BACKGROUND

Section 107 of the Comprehensive Environmental Response, Compensation Liability Act of 1980 (Public Law 86-510, commonly referred to as the Superfund Act), which was amended as the Superfund Amendments and Reauthorization Act of 1986, imposes a liability upon responsible parties for the costs of cleanup and for damage resulting from the release of hazardous substances. The Environmental Protection Agency, which administers the Superfund Act, is authorized to recover from responsible parties all costs incurred in assessing and remediating hazardous waste conditions, including survey costs. To recover such costs, the Environmental Protection Agency enters into reimbursable agreements with Federal agencies to obtain technical assistance to survey damage to natural resources from hazardous substances. The surveys are authorized under interagency agreements between the Environmental Protection Agency and the Federal agencies that conduct the work. Superfund project costs, including indirect costs, incurred by Federal agencies are reimbursable.

The U.S. Fish and Wildlife Service is one of several Department of the Interior bureaus that conduct surveys for the Environmental Protection Agency under the Superfund Act. For fiscal years 1998 and 1999, the Service had no-year funds of $1.455 million available for expenditure on Superfund projects. Most of the funds were allocated to states or Service regions but were not allocated to a specific site. However, Service records on Superfund project expenditures are maintained on a site-specific basis.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the U.S. Fish and Wildlife Service complied with procedures for accounting for costs of reimbursable Superfund projects funded by the Environmental Protection Agency for fiscal years 1998 and 1999. Specifically, the audit will determine whether the Service (1) maintained accurate, complete, and current records on reimbursable project costs; (2) had sufficient and adequate documentation to support all costs charged to specific projects; and (3) obtained reimbursements only for actual costs.

FACT SHEET

<u>EMERGENCY SUPPLEMENTAL FUNDING, U.S. FISH AND WILDLIFE SERVICE</u>

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Upgrade facilities.
Clean up the land.

BACKGROUND

The U.S. Fish and Wildlife Service operates and maintains the National Wildlife Refuge and the National Fish Hatchery Systems. The National Wildlife Refuge System, encompassing 516 refuges and more than 93 million acres, provides habitats for endangered and threatened species, resident species, and migratory birds and also provides recreational opportunities, including wildlife watching, photography, hiking, environmental education, and fishing, to more than 34 million visitors annually. The National Fish Hatchery System, in partnerships with state, local, and tribal governments, operates 66 hatcheries, 9 fish health centers, and 6 fish technology centers that produce and distribute a variety of fish species for recovery of threatened or endangered species, mitigation for Federal water development actions, restoration of depleted stocks, and enforcement of tribal fisheries.

In addition to the funds appropriated annually through the budget process, the Service received an emergency supplemental appropriation of $103.3 million in fiscal year 1997 to assist in the recovery from damages resulting from floods and other natural disasters. Under Public Law 105-18, the 1997 Emergency Supplemental Appropriations Act for Recovery From Natural Disaster, and for Overseas Peacekeeping Efforts, Including Those in Bosnia, the Service received supplemental funding for resource management ($5.3 million), construction ($88.0 million), and land acquisition ($10 million). Also, in fiscal year 1997, Title IV of the Emergency Appropriations Act, Public Law 104-208, provided resource management funds of $2.1 million and construction funds of $15.9 million for disaster assistance. In fiscal year 1998, Public Law 105-174, the1998 Supplemental Appropriation and Rescission Act, provided the Service an additional $29.1 million for construction "to repair damage caused by floods and other natural disasters." Emergency supplemental funds provided in fiscal years 1997 and 1998 "remain available until expended."

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the U.S. Fish and Wildlife Service used the emergency supplemental funding received in fiscal years 1997 and 1998 in accordance with authorizing legislation and in compliance with Federal and Service regulations.

FACT SHEET

USE OF FEE DEMONSTRATION PROGRAM REVENUES, U.S. FISH AND WILDLIFE SERVICE

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Protect the environment, and preserve resources.
Provide recreation.
Manage resources environmentally and economically.
Upgrade facilities.

BACKGROUND

The Recreation Fee Demonstration Program was authorized by Public Laws 104-134 and 104-208, enacted in fiscal year 1996; Public Law 105-18, enacted in fiscal year 1997; Public Law 105-83, enacted in fiscal year 1998; and Public Law 105-277, enacted in fiscal year 1999. These laws granted the U.S. Fish and Wildlife Service, the National Park Service, the Bureau of Land Management, and the Department of Agriculture's U.S. Forest Service authority to establish demonstration fee programs at up to 100 sites per agency. The revenues from the Program, typically entrance and user fees, may be used to improve the quality of the visitor experience; to enhance, protect, and preserve resources; and to provide law enforcement relating to public use. Program funds also may be used to pay for the cost of collecting fees. Originally established as a 3-year pilot program, the Program was extended under the fiscal year 1999 legislation to September 30, 2001, and funds were made available for expenditure through September 30, 2004.

The Service initiated the Program with 42 approved sites in November 1996 and planned to expand to 71 sites in fiscal year 1998. As of March 31, 1998, the Service had recorded Program revenues of more than $2 million and expenditures of about $501,000. Of the amount expended, $355,710 (71 percent) was spent on collecting revenues.

The authorizing legislation provides for 80 percent of Program funds to be spent at the sites collecting the fees and the remaining 20 percent of Program funds to be spent at the discretion of agency management. At four of the Service's seven regions, regional directors determine the use of the 20 percent of Program funds that are not retained by the collecting sites, and at the three remaining regions, the funds are deposited into a central account.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the U.S. Fish and Wildlife Service ensured that (1) Recreation Fee Demonstration Program receipts were used properly and that Program revenues were used to supplement rather than replace funding for maintenance and other critical Service needs and (2) receipts were collected in a cost-effective manner and deposited and accounted for properly. The scope of the audit will include a review of Program revenues that were collected and expended during fiscal years 1998 and 1999.

FACT SHEET

HABITAT RESTORATION, U.S. FISH AND WILDLIFE SERVICE

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Protect the environment, and preserve resources.
Manage resources environmentally and economically.
Upgrade facilities.

BACKGROUND

The U.S. Fish and Wildlife Service operates the National Wildlife Refuge System, which consists of 516 refuges and 38 wetland management districts and covers more than 93 million acres. The Refuge System provides a network of habitats for wildlife, including animals and plants, some of which are rare and endangered species. At refuges, the Service engages in rehabilitation and enhancement projects to sustain the habitats needed to support biodiversity.

Refuges are subject to considerable disturbance or degradation because of factors such as agricultural conversion, excessive forest cutting, overgrazing, water diversion, and the invasion of noxious and nonnative plants. To restore the natural hydrology of wetlands, the Service replants native trees and grasses. According to the Service's fiscal year 1999 Annual Performance Plan, the Service planned to have restored 119,300 acres of upland habitats by the end of fiscal year 1999, an increase of about 9,300 acres over the upland habitat acres that had been restored by the end of fiscal year 1998. For fiscal year 2000, the Service's Plan showed that about an additional 10,200 acres would be restored.

In fiscal year 1998, the Service received $69.8 million for habitat improvements, which included restoration projects. In fiscal year 1999, the Service received $72.6 million, and in its fiscal year 2000 budget justification, the Service requested $79.6 million for habitat improvements.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the U.S. Fish and Wildlife Service adequately identified and prioritized habitat restoration projects, completed these projects in accordance with refuge management plans, used funding made available for habitat restoration in accordance with Service guidance and regulations, and accomplished its Annual Performance Plan goals. The scope of the audit will include a review of habitat restoration projects in progress or completed during fiscal years 1998 and 1999.

FACT SHEET

SELECTED ASPECTS OF ENDANGERED SPECIES ACT IMPLEMENTATION, U.S. FISH AND WILDLIFE SERVICE

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Manage resources environmentally and economically.
Protect the environment, and preserve resources.

Bureau: By September 2000, 37 percent of 197 endangered and threatened species populations listed a decade or more are stabilized or improved, and 15 species are precluded from the need for listing under the Endangered Species Act.

BACKGROUND

The Endangered Species Act of 1973, as amended, provides for the identification, protection, and recovery of endangered and threatened species. The primary goal of the endangered species program is to ensure the survival of species and the habitats critical to their survival and to recover endangered and threatened species to the point at which protection under the Act is no longer needed. To achieve this objective, the U.S. Fish and Wildlife Service identifies and lists species that are endangered or threatened; provides protection against the taking, trading, importing, and exporting of the species and against conditions that adversely affect the species' habitats; and develops and implements recovery plans for individual species.

The Service reported that as of September 30, 1998, there were 85 species proposed for listing and 1,154 species listed as endangered or threatened. The Service also reported that it expected to list 100 species in each of fiscal years 1999 and 2000 and that, in fiscal year 1998, it had added 47 species to the list, proposed 41 species for listing, withdrew 10 proposals to add species to the lists, and completed two emergency listings.

In fiscal year 1999, the Service received $110.8 million for conservation ($6.7 million), listing ($5.8 million), consultation ($27.2 million), recovery ($66.1 million), and landowner incentives ($5 million). Additional funds of $14 million were appropriated for the Endangered Species Conservation Fund. For fiscal year 2000, the Service requested $114.9 million for the program as follows: $8.3 million for candidate conservation, $7.5 million for listing, $37.4 million for consultation, $56.7 million for recovery, and $5 million for landowner incentives. The Service expects to receive an additional $80 million through the Cooperative Endangered Species Conservation Fund in fiscal year 2000.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the U.S. Fish and Wildlife Service (1) achieved its recovery plan objectives for fiscal years 1998 and 1999 in accordance with scheduled milestone and budgetary goals, (2) established adequate plans to meet its fiscal year 2000 performance goals, and (3) satisfactorily implemented recommendations made in our September 1990 audit report "The Endangered Species Program, U.S. Fish and Wildlife Service" (No. 90-98).

FACT SHEET

U.S. FISH AND WILDLIFE SERVICE FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The U.S. Fish and Wildlife Service is responsible for conserving, protecting, and enhancing fish and wildlife and their habitats. The Service manages approximately 510 national wildlife refuges, 193 waterfowl production areas, 50 coordination areas, and 32 wetland management districts in 178 counties, for a total of 92 million acres. In addition, the Service manages 78 fish hatcheries throughout the country.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the financial statements of the U.S. Fish and Wildlife Service for fiscal years 2000 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Service complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Service complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

EQUIPMENT REPLACEMENT PROGRAM, NATIONAL PARK SERVICE

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Improve property and procurement management.

BACKGROUND

The National Park Service manages 370 park units in 49 states, the District of Columbia, and several insular areas. To support park management, the Park Service purchases items such as passenger vehicles, heavy motorized vehicles and equipment, communications networks, and automated data processing equipment. Dump trucks, snow plows, fire trucks, ambulances, and other vehicles are required to maintain roads, protect life and property, and carry out services necessary to meet law enforcement, emergency medical and sanitation, and general transportation needs. Automated data processing equipment provides for the ongoing support of programs such as maintenance management, payroll, and personnel management. Communications equipment, such as telephones and voice response systems, are also essential to operations. All of these equipment items are scheduled for replacement on a periodic basis.

In fiscal year 1998, the Park Service received funding of $14.4 million for the replacement of vehicles, $500,000 for the conversion to narrowband radio systems, and $3 million for the modernization of information resources equipment. In 1999, the Park Service received funding of $14.4 million for the replacement of vehicles and $1.0 million for conversion to narrowband radio systems and modernization of information resources equipment. In its budget justification for fiscal year 2000, the Park Service said that it had an estimated backlog of $80 million for replacement of nearly 5,000 vehicles and requested funds of $14.4 million to address this need. It also requested funds of $2.5 million to transition to narrowband "digital" communication equipment and funds of $3.0 million to modernize computer hardware and software and to install local area networks in small parks. In total, the Park Service requested fiscal year 2000 equipment replacement funds of $19.9 million (construction appropriation), a $4.5 million increase over the amount appropriated in fiscal year 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the National Park Service managed its Equipment Replacement Program effectively, including the acquisition, transfer, and disposal of equipment, in accordance with Federal, Department of the Interior, and Park Service regulations. Also, the audit will determine whether the Park Service accurately estimated the cost of its equipment backlog. The scope of the audit will include a review of expenditures to replace equipment that were made in fiscal years 1998 and 1999.

FACT SHEET

COST-SHARING REQUIREMENT UNDER HISTORIC PRESERVATION GRANTS, NATIONAL PARK SERVICE

TYPE OF AUDIT

Financial (grants administration)

PERFORMANCE GOALS

Department: None.
Bureau: Increase in the number of significant historic and archeological properties protected through Federal programs.
Increase acreage of historic properties surveyed, properties added to state inventories, and properties nominated to the National Register.
Increase grants awarded for tribal assumption of State Historic Preservation Office duties.

BACKGROUND

The Historic Preservation Act of 1966, as amended (16 U.S.C. 470), and the Omnibus Parks and Public Lands Management Act of 1966 (Public Law 104-333) authorize grants to states, territories, Indian tribes, and historically black colleges and universities. These grants provide funding as follows:

- Funding of $31.4 million was authorized in fiscal year 1999 and requested for fiscal year 2000 for grants-in-aid to states and territories. These grants enable State Historic Preservation Offices to survey historic properties and maintain inventories from such surveys and to conduct other historic preservation activities. Grantees are required to contribute a 40 percent matching share (except for grants to the Freely Associated States of Micronesia and to the territories, not including Puerto Rico).

- Funding of $2.6 million was authorized in fiscal year 1999 and requested for fiscal year 2000 for grants-in-aid to Indian tribes. These grants enable the tribes to preserve their cultural heritage. A matching share is not required.

- Funding of $8.4 million was authorized in fiscal year 1999 and funding of $15 million was requested for fiscal year 2000 for grants-in-aid to historically black colleges and universities. These grants enable nonprofit organizations representing ethnic or minority groups to preserve their cultural heritage. Under Public Law 104-333, $6.8 million is provided on a cost-share basis.

- Funding of $30 million was authorized in 1999 and requested for fiscal year 2000 for grants-in-aid to finance the "Save America's Treasures" initiative. According to the Park Service's budget justification, these grants are provided to "assist public entities [to] commemorate the Millennium by preserving the Nation's historic sites and cultural artifacts." Projects are subject to a 50-50 cost-share requirement.

In addition to the terms and conditions of grant agreements, laws authorizing grant funding, and Park Service procedures for grants administration, the Office of Management and Budget has issued circulars on the administration of grants as follows: No. A-87, "Cost Principles for State, Local, and Indian Tribal Governments" (as amended August 29, 1997); No. A-102, "Grants and Cooperative Agreements with State and Local Governments"; and No. A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations." Further, the Code of Federal Regulations (36 CFR 61, "Procedures for State, Tribal, and Local Government Historic Preservation Programs"), in a final rule issued in March 1999, established guidance for the National Historic Preservation programs and stated that the Park Service "is responsible for providing national standards, guidance, and technical assistance" and that the Park Service "also provides quality control for the activities funded by the Historic Preservation Fund grants-in-aid and matching monies."

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the National Park Service ensured that recipients of National Historic Preservation grants met their cost-sharing requirements and that the Park Service achieved its performance goals for fiscal year 1999. The scope of the audit will include a review of historic preservation grants subject to a cost-sharing requirement that were in effect in fiscal years 1998 and 1999.

FACT SHEET

NATIONAL PARK SERVICE FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The National Park Service is responsible for managing, preserving, and protecting 368 areas that cover the 80 million acres which compose the national park system.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the financial statements of the National Park Service for fiscal years 2000 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Park Service complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Park Service complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and

Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

USE OF FEE DEMONSTRATION PROGRAM REVENUES, NATIONAL PARK SERVICE

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department:	Protect the environment, and preserve resources. Provide recreation. Manage resources environmentally and economically. Upgrade facilities.
Bureau:	Increase receipts by 14 percent over the 1997 level by September 30, 1999. Increase receipts by 20 percent over the 1997 level by September 30, 2002.

BACKGROUND

The Recreation Fee Demonstration Program was authorized by Public Laws 104-134 and 104-208, enacted in fiscal year 1996; Public Law 105-18, enacted in fiscal year 1997; Public Law 105-83, enacted in fiscal year 1998; and Public Law 105-277, enacted in fiscal year 1999. These laws granted the National Park Service, the U.S. Fish and Wildlife Service, the Bureau of Land Management, and the Department of Agriculture's U.S. Forest Service authority to establish up to 100 demonstration fee projects. The objective of the Program is to provide designated Federal agencies with authority to assess and collect fees for use in improving the quality of the visitor experience; enhancing, protecting, and preserving resources; and operating and maintaining facilities. Program revenues also can be used to pay for the cost of fee collections. Originally established as a 3-year pilot program, the Program was extended under fiscal year 1999 legislation to September 30, 2001, and funds were made available for expenditure through September 30, 2004.

Eighty percent of the revenues from the Program are allocated to the park units that generated the fees, and 20 percent of the revenues are allocated at the discretion of Park Service management. The Park Service estimated that it would collect Program revenues of about $132.5 million during fiscal year 1998 and $136.5 million during fiscal year 1999.

According to the November 1998 General Accounting Office report "Recreation Fees, Demonstration Fee Program Successful in Raising Revenues but Could Be Improved" (No.

GAO/RCED-99-7), the Park Service had collected about $75.2 million and spent about $12.9 million by March 31, 1998. The report also said that the Park Service spent 34.5 percent of the revenues on fee collection; 49.1 percent on repairs and maintenance; and the remaining 16.4 percent on activities such as resource preservation, annual operations, interpretation and signage, and facility enhancements.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the National Park Service ensured that (1) Recreation Fee Demonstration Program revenues were used properly and were used to supplement rather than replace funding for maintenance and other critical Park Service needs; (2) sufficient actions were taken to limit the amount of revenues used to collect fees; and (3) required procedures were followed for safeguarding, depositing, and recording fee revenues. The scope of the audit will include a review of Program revenues for fiscal years 1998 and 1999.

FACT SHEET

RISK MANAGEMENT PROGRAM, NATIONAL PARK SERVICE

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Provide recreation.
Upgrade facilities.

Bureau: By September 30, 2000, reduce the visitor safety incident rate by 7 percent from the Park Service's 5-year (1992-1996) average.
By September 30, 2000, reduce by 30 percent the Park Service's employee lost-time injury rate based on the 5-year (1992-1996) average, and reduce by 30 percent the cost of new workers' compensation cases based on the 5-year (1992-1996) average.
By September 30, 2000, reduce employee lost-time accidents by 7 percent based on a baseline that was to be established in fiscal year 1998.

BACKGROUND

In its budget justifications for fiscal years 1999 and 2000, the National Park Service discussed its health and safety program and described its Risk Management Program, which provides Park Service managers with "the advice, assistance, and guidelines necessary to manage employee and public safety, and workers compensation cases." Program activities include developing and coordinating guidance; assisting management in complying with the Code of Federal Regulations (29 CFR 1960, "Basic Program Elements for Federal Employee Occupational Safety and Health Programs and Related Matters"); identifying, evaluating, and controlling health hazards in the working environment; developing and analyzing statistics to identify trends and sources of accidents; and developing strategies for reducing workers' compensation costs. The Park Service's health and safety program is staffed with professional risk managers, an occupational safety health specialist, and a data manager who provides risk management programs for all units of the National Park System.

The Park Service stated that in fiscal year 1999, it would provide Servicewide training to improve employees' ability to identify safe and unsafe behavior, "instill a willingness of employees to address and improve this behavior in themselves and their coworkers," and develop a long-term program to address unsafe work practices. The Park Service also stated that in fiscal year 1999, it would provide funds for a program to reduce workers' overall compensation costs and develop risk management programs in parks that either had no program or had ineffective programs.

According to the Park Service's budget justification for fiscal year 2000, the Park Service's health and safety component of its Park Management budget activity was funded at $16.9 million in fiscal year 1999, and the Park Service requested funds of $15.4 million for fiscal year 2000 for this component.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the National Park Service implemented its Risk Management Program in accordance with Program objectives, including compliance with the Code of Federal Regulations (29 CFR 1960), and took measures to achieve its health and safety and Risk Management Program performance goals. The scope of the audit will include a review of Program activities that occurred after fiscal year 1998.

FACT SHEET

SCHOOL COMPLIANCE WITH LOCAL FINANCIAL PLANS, BUREAU OF INDIAN AFFAIRS

TYPE OF AUDIT

Financial (financial related)

PERFORMANCE GOALS

Department: Meet responsibility to Indians.

BACKGROUND

The Bureau of Indian Affairs provides funding to operate 185 elementary and secondary education facilities in 23 different states, including 116 day schools, 48 on-reservation boarding schools, 7 off-reservation boarding schools, and 14 dormitories, all of which serve about 53,000 students. According to the Bureau's fiscal year 2000 budget justification and performance plan, the numbers of Bureau-operated schools and contracted or grant schools have changed as follows:

Fiscal Year	Bureau-Operated	Contracted or Grant Schools	Total
1997 (Actual)	80	105	185
1998 (Actual)	77	108	185
1999 (Planned)	67	118	185
2000 (Planned)	54	131	185

It is the stated goal of the Bureau to increase the number of contracted or grant schools to allow tribes to provide for their own education and to support the Bureau's mission of promoting self-determination. Schools may be operated by the Bureau or by tribal organizations under contracts authorized by Public Law 93-638, the Indian Self-Determination and Education Assistance Act, and under grants authorized by Public Law 100-297, the Education Amendments Act of 1978.

The Improving American Schools Act of 1994, Public Law 103-382, states:

> [I]n the case of all Bureau schools, allotted funds shall be expended on the basis of local financial plans which shall be prepared by the local school supervisor in active consultation with the local school board for each school, and the local school board for each school shall have the authority to ratify, reject, or amend such financial plan, and expenditures thereunder, and, on its own determination or in response to the supervisor of the school, to revise such financial plan to meet needs not foreseen at the time of preparation of the financial plan.

Title XI of the Education Amendments of 1978, as amended by Public Law 103-382, states, "The Inspector General of the Department of the Interior shall establish a system to ensure that financial and compliance audits are conducted of each Bureau school at least once in every 3 years." Title XI, further states, "[A]udits of a Bureau school shall be based upon the extent to which such school has complied with its local financial plan."

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether selected schools operated by the Bureau of Indian Affairs spent funds in accordance with local financial plans. The scope of the audit will include a review of the local financial plans and expenditures applicable to school year 1998/1999.

FACT SHEET

FOLLOWUP OF RECOMMENDATIONS FOR IMPROVING GENERAL CONTROLS OVER AUTOMATED INFORMATION SYSTEMS, BUREAU OF INDIAN AFFAIRS

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: None
Bureau: None

BACKGROUND

The Bureau of Indian Affairs Office of Information Resources Management, through its Operations Service Center, both located in Albuquerque, New Mexico, is responsible for administering the general controls over the Bureau's and the Office of the Special Trustee for American Indians automated information systems. The Center provides computer services such as communications networks, software development, operations, and maintenance; systems recovery; and user support. The Center operates a Unisys server that is used to run Bureau applications which support Indian trust fund accounts. The Center also operated an IBM mainframe computer until December 1997, when the Bureau transferred its IBM operations and data processing functions to a host IBM mainframe computer owned by the U.S. Geological Survey's Enterprise Data Service Center, located in Reston, Virginia. The Geological Survey's IBM computer is used to run Bureau applications, such as the Land Records Information System and the National Irrigation Information Management System.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Indian Affairs has satisfactorily implemented the recommendations made in our prior audit reports on general controls over automated information systems and whether any new recommendations are warranted. In addition, we will determine whether the Bureau's computer and network operations are in compliance with the Federal Financial Management Improvement Act.

FACT SHEET

BUREAU OF INDIAN AFFAIRS FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Bureau of Indian Affairs is responsible for managing and protecting natural resources on 56 million acres of Indian trust lands and for assisting tribes in providing progress to serve more than 1 million American Indians and Alaska Natives. Specifically, the Bureau provides community services; operates schools or provides financial support to operate the schools; maintains law enforcement systems; provides social services; and assists in farming, ranching, forestry, and mining on reservations. These services are provided directly by the Bureau and through contracts with more than 500 tribes.

The Bureau's appropriations provide the funding for operating the nontrust activities and the Bureau's costs for administering trust funds. The Bureau plans to contract with a public accounting firm to audit the trust fund monies, which consist of tribal trust fund monies and individual Indian monies.

AUDIT OBJECTIVE AND SCOPE

The audit will not include a review of trust fund monies. The objective of the audit is to determine whether (1) the financial statements of the Bureau of Indian Affairs for fiscal years 2000 and 1999 that relate to nontrust activities were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Bureau complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Bureau complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

OPERATION OF PROGRAMS UNDER PUBLIC LAW 93-638 CONTRACTS, BUREAU OF INDIAN AFFAIRS

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Meet responsibility to Indians.
Bureau: Provide tribes with the resources they need to foster strong and stable tribal governments and exercise their authority as sovereign nations.
Increase the level of funding obligations under contracts or compacts to 58.5 percent.

BACKGROUND

The Indian Self-Determination and Education Assistance Act of 1974 (Public Law 93-638, as amended) authorizes tribal governments and organizations to operate Federal programs under contract, grant, and compact agreements. Under these agreements, tribes deliver program services to their members and have the flexibility to redesign the programs formerly delivered by the Federal Government to meet the tribes' local needs and priorities. In fiscal year 1999, the Bureau of Indian Affairs obligated more than $1 billion to tribes and tribal organizations under self-determination contracts, grants, and compacts, which represented approximately 50 percent of all of the Bureau's obligations.

According to the Bureau, in 1998, 458 of the 554 Federally recognized tribes had compact, contract, and/or grant agreements. The mechanism established by the Act to monitor Indian tribal systems, controls, and costs incurred under Federal funding agreements is the single audit report. Based on reviews of the single audit reports conducted by the Office of Inspector General and by the Office of Audit and Evaluation, Assistant Secretary for Indian Affairs, conditions have been identified, such as transfers of Federal funds to an entity's general fund and weak internal controls over the expenditure of Federal funds, that we believe should be examined by more detailed audits.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether tribes or tribal organizations that had contracts, compacts, and grants operated their programs in accordance with provisions of the agreements and whether costs charged to the agreements were eligible for reimbursement. The audit will review Self-Determination Act contract, grant, and compact agreements of selected tribes or tribal organizations for fiscal years 1998 and 1999.

FACT SHEET

AGRICULTURAL LEASING AND GRAZING ACTIVITIES, CROW AGENCY, BUREAU OF INDIAN AFFAIRS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Meet responsibility to Indians.
Manage resources environmentally and economically.
Bureau: Assist American Indians and Alaska Natives in protecting and preserving their natural resources on trust lands and off-reservation lands.

BACKGROUND

The Crow Agency is responsible for agricultural leasing and grazing permit activities for the Crow Indian Tribe on approximately 485,000 acres of tribal trust land and more than 1 million acres of individually owned trust land. According to the Code of Federal Regulations, the Bureau of Indian Affairs is responsible for approving leases and grazing permits for individually owned land and tribal land held in trust that are negotiated by the landowners or their representatives. The Bureau may also grant leases or permits on individually owned land on behalf of incompetent persons, orphaned minors, undetermined heirs of estates, landowners who have not been able to agree upon a lease or permit, landowners who have given the Secretary of the Interior written authority to execute leases or permits, and landowners whose whereabouts are unknown.

Of the 2,800 leases covering 774,000 acres of individually owned land, approximately half were negotiated by Crow Indians. A Crow Indian, pursuant to the Act of June 4, 1920, may lease his own and his minor children’s allotted trust lands for farming or grazing purposes "free from control and supervision by the Bureau." However, the Code (25 CFR 162) requires that all such leases entered into by Crow Indians under the Act of June 4, 1920, be recorded at the Crow Agency and states that this recording constitutes notice to all persons.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Crow Agency awarded and administered agricultural leases and grazing permits in accordance with applicable laws and regulations. The scope of the audit will include a review of leases and permits awarded and/or in effect during fiscal year 1999.

FACT SHEET

SELECTED ADMINISTRATIVE ACTIVITIES, OFF-RESERVATION BOARDING SCHOOLS, BUREAU OF INDIAN AFFAIRS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Meet responsibility to Indians.
Improve property and procurement management.
Bureau: Reduce long-term costs and improve timeliness of services related to procurement.

BACKGROUND

The Bureau of Indian Affairs operates four off-reservation boarding schools as follows:

Name of School	Location	Student Enrollment*	ISEP Funds**	Transportation Funds
Riverside Indian School	Anadarko, OK	423	$4,414,200	$73,300
Chemewa Indian School	Salem, OR	409	3,922,600	512,800
Flandreau Indian School	Flandreau, SD	340	3,686,800	307,900
Sherman Indian School	Riverside, CA	472	5,180,100	441,600
		1,644	$17,203,700	$1,335,600

*Enrollment is based on the average daily membership count conducted once a year during the last week in September. To be included in the count, a student must be in attendance at least one full day during that week or reside in the dormitory one full day and one night.
**The Indian School Equalization Program (ISEP) provides formula-based funding for Bureau-operated and Bureau-contracted schools.

In addition to the ISEP and student transportation funding, each school receives Bureau grant funds for administration and for facilities operation and maintenance. Also, the schools could receive Department of Education grant funds for conducting programs such as special education and related services under the Individuals with Disabilities Act (Public Law 94-142, as amended) and for meeting performance standards under Title I, "Helping Disadvantaged Children Meet High Standards," of Public Law 103-382.

The Bureau provided information on certain activities of the four off-reservation boarding schools as follows:

Name of School	Total Procurement	Small Purchases	Leased Vehicles	Total Travel Costs
Riverside Indian School	$1,491,150	$675,357	17	$360,502
Chemewa Indian School*	775,650	n/a	14	442,301
Flandreau Indian School	941,337	615,241	16	169,572
Sherman Indian School**	198,971	66,000	14	n/a
	$3,407,108	1,356,598	61	$972,375

*The School did not provide the amount of procurements accomplished by small purchases.
**The School did not provide information relative to student transportation; however, $22,000 was spent on staff and school board travel.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Indian Affairs conducted its property, procurement, and vehicle fleet management activities in accordance with applicable laws and regulations. The scope of the audit will include a review of the four cited activities and related transactions that occurred during fiscal years 1998 and 1999.

FACT SHEET

DISTRIBUTION OF STUDENT TRANSPORTATION FUNDING, BUREAU OF INDIAN AFFAIRS

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Meet responsibility to Indians.

BACKGROUND

In fiscal year 1998, the Bureau of Indian Affairs provided funding to operate 185 elementary and secondary education facilities in 23 different states, including 116 day schools, 48 on-reservation boarding schools, 7 off-reservation boarding schools, and 14 dormitories, all of which serve about 53,000 students. The program is operated by the Bureau's Office of Indian Education Programs, which includes a headquarters office in Washington, D.C., and 24 education line officers throughout the country. According to the Bureau's budget justification for fiscal year 2000, the number of Bureau-operated schools and Bureau-contracted schools has changed as follows:

Fiscal Year	Bureau-Operated	Bureau-Contracted	Total
1997 (Actual)	80	105	185
1998 (Actual)	77	108	185
1999 (Planned)	67	118	185
2000 (Planned)	54	131	185

It is the stated goal of the Bureau to increase the number of contracted schools to allow tribes to provide for their own education and to support the Bureau's mission of promoting self-determination. Schools may be operated by the Bureau or by tribal organizations under contracts authorized by Public Law 93-638, the Indian Self-Determination and Education Assistance Act, and under grants authorized by Public Law 100-297, the Education Amendments Act of 1978.

Title XI of the Education Amendments of 1978 (Public Law 95-561, as amended) requires the Bureau to allocate elementary and secondary education funding to schools according to a formula reflecting the funding necessary to sustain each school. The formula for student transportation funding is predominately based on the number of school bus miles driven to pick up and drop off students. For students in boarding schools, transportation funding is provided for travel at the beginning and the end of the school year and for one round-trip home at mid-year. For students in day schools, daily transportation is provided to and from school each school day.

The fiscal year 1999 budget for student transportation was $34,758,000. The fiscal year 2000 budget request for student transportation was $38,835,000. Both of these amounts include funding for air miles. The actual road mileage for the last 5 years is shown as follows:

	School Year				
	94/95	95/96	96/97	97/98	98/99
Day Student Miles (000)	13,474	14,256	14,780	15,495	14,436
Boarding Student Miles (000)	423	405	417	344	375
Total Miles (000)	13,897	14,661	15,197	15,839	14,811
Funding per Mile	$1.54	$1.59	$1.60	$1.90	$2.10
Total Funding ($ millions)	$21.40	$23.31	$24.32	$30.09	$31.10

One responsibility of the Bureau's education line officers is to monitor and certify the validity of management information system data used for fund distribution to the schools. The numbers used in the formula for each school are based on counts conducted once per year during count week, generally the last full week in September. The school performs the initial count and reports the results to the education line officers. The education line officers then conduct an "audit" at each school during October, and the results are reported to the Bureau's headquarters. The Bureau's headquarters staff reviews the reports, makes adjustments as warranted, calculates funding for each school, and distributes the funding to each school by early December.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether Bureau of Indian Affairs procedures for reviewing mileage reported by Bureau-funded schools were adequate to ensure that mileage claims are valid. The audit will include a review of transportation funding for school year 1998/1999.

FACT SHEET

MAINTENANCE AND REPAIR OF INDIAN SCHOOLS, BUREAU OF INDIAN AFFAIRS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Meet responsibility to Indians.
Upgrade facilities.
Bureau: Award major facilities improvement and repair projects to reduce unsafe conditions at 7 of the 107 unsafe educational facilities' locations.
Ensure the efficient and effective use of resources for new construction, renovation, and maintenance of Bureau of Indian Affairs-funded facilities.

BACKGROUND

The Bureau of Indian Affairs provides funding to operate 185 elementary and secondary schools, which serve approximately 53,000 students nationwide. Bureau-funded schools are located in 23 states but are highly concentrated (143 facilities) in six states: North Dakota, South Dakota, Arizona, New Mexico, Washington, and Mississippi. In fiscal year 1998, approximately 77 elementary and secondary schools were operated by the Bureau, while 108 schools were funded by the Bureau and operated by Indian tribes or tribal organizations. The Bureau provides funding to Indian tribes and tribal organizations for schools operated under Public Law 93-638 contracts or Public Law 100-297 grants.

Bureau-funded educational facilities consist of 2,313 buildings, of which about 50 percent are more than 30 years old, 20 percent are more than 50 years old, and 2 percent are more than 100 years old. In addition, the Bureau recently reported that it has a deferred maintenance and repair backlog of about $695 million. Because of limited annual funds, the Bureau prioritizes deferred maintenance and repair projects under a Congressionally approved system that emphasizes health and safety in the ranking process.

In fiscal year 1998, the Department of the Interior established an Interior Planning, Design, and Construction Council, which comprises engineering and construction representatives of Interior bureaus, the Department of Health and Human Services Indian Health Service, and the Department of Agriculture's U.S. Forest Service. The Council initiated a Departmentwide study of maintenance and repair issues to reduce financial and safety liability to Interior, increase the effectiveness and awareness of facilities maintenance, control the increasing backlog of deferred maintenance, and ultimately improve the stewardship of Interior's constructed assets. The Council issued a formal report on its assessment of facilities maintenance with recommendations in February 1998, which stated, "Inadequately funded maintenance due to reduced budgets, diversion of maintenance funds for emergency responses, and competition for resources from other program needs has led to accelerated facility deterioration."

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Indian Affairs conducted its school maintenance and repair activities efficiently and effectively. The scope of the audit will include a review of maintenance activities that occurred during fiscal years 1998 and 1999.

FACT SHEET

BUREAU OF LAND MANAGEMENT FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Bureau of Land Management was created in July 1946 through the consolidation of the General Land Office and the Grazing Service. The Bureau's mission is to manage more than 260 million acres of public land and various related resources located in 28 states. The Bureau also administers mineral leasing and supervises mineral operations on an additional 300 million acres of Federal mineral estate underlying Federally administered state, Indian, or private land ownerships throughout the United States.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the financial statements of the Bureau of Land Management for fiscal years 2000 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Bureau complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Bureau complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

GENERAL CONTROLS OVER AUTOMATED INFORMATION SYSTEMS, BUREAU OF LAND MANAGEMENT

TYPE OF AUDIT

Performance (economy and efficiency and program results)

PERFORMANCE GOALS

Department: None.
Bureau: None.

BACKGROUND

The Bureau of Land Management maintains the Nation's public land survey system, which is the legal foundation for most of the land records in the United States. In addition, the Bureau administers about 46,000 oil and gas leases, 355 coal leases, and 300,000 mining claims and manages leases for the extraction of sand, gravel, and other mineral materials. To assist Bureau program managers, the Bureau's National Information Resources Management Center operates and maintains automated information systems that support the Bureau for such programs as cadastral survey, case recordation, mining claims, wild horse and burros, lease management, and fluid minerals management.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Land Management developed adequate general controls over its automated information systems and whether the general controls established and implemented were in compliance with the Federal Financial Management Improvement Act. The scope of the audit will include a review of the Bureau's general controls in the areas of security program development, physical and logical access, software development and change management, separation of duties, system software, and service continuity.

FACT SHEET

FEDERAL COAL MANAGEMENT INSPECTION AND ENFORCEMENT ACTIVITIES, BUREAU OF LAND MANAGEMENT

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Manage natural resources for a healthy environment and a strong economy.
Bureau: Provide opportunities for environmentally responsible commercial activities. Contribute to the Nation's economy by providing opportunities for the production and transport of commercial goods and services.

BACKGROUND

The Bureau of Land Management is responsible for managing coal leases on Federal lands. In 1976, the Congress passed Public Law 94-377, the Federal Coal Leasing Amendments Act of 1976, to provide more orderly procedures for leasing and developing coal owned by the United States. The Act requires each lease to be managed in a manner that will ensure maximum economic recovery of the resource, diligent development of the lease, and compliance with continued operations requirements. Under the Code of Federal Regulations (43 CFR 3400), the Bureau is responsible for conducting inspections and verifying production on Federal and tribal lands and ensuring compliance with legal and regulatory requirements relating to all phases of coal licensing, permitting, and leasing.

As of September 30, 1998, there were 355 Federal coal leases covering about 589,000 acres of Federal mineral ownership. Of the 355 leases, approximately 128 were producing Federal leases at the end of fiscal year 1998. Production from these leases in fiscal year 1998 amounted to 348 million tons of coal and generated $284 million in Federal royalties.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Land Management (1) conducted physical inspections and production verification on producing coal leases; (2) ensured that operators complied with legal and regulatory requirements relating to all phases of coal licensing, permitting, and leasing; and (3) required proper bonding on all coal leases. The scope of audit will include a review of coal management inspection and enforcement activities that occurred during fiscal years 1997, 1998, and 1999.

FACT SHEET

PROGRAM SUPPORT, BUREAU OF LAND MANAGEMENT

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial information.

BACKGROUND

The Bureau of Land Management's budget structure classifies its expenses in object and subobject classes. Among these classes is Subobject Class 0777 - Program Support. Program support costs are general purpose and nonprogram specific costs, which are charged to the Bureau's programs through a cost-allocation plan. According to Federal Accounting Standard Advisory Board Statement No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," each "reporting entity should accumulate and report the costs of its activities on a regular basis for management information purposes." Costs of activities "may be accumulated either through the use of cost accounting systems or through the use of cost finding techniques," which is the process, as described in Statement No. 4, of accumulating, measuring, analyzing, interpreting, and reporting cost information useful to both internal and external groups concerned with the way in which the organization uses, accounts for, safeguards, and controls its resources to meet its objectives. The Bureau's fund coding handbook states that program support costs do not qualify as administrative support costs, which are costs for providing specified bureauwide and officewide administrative support services, such as financial management, budget formulation and execution, and personnel administration. General purpose costs that do not qualify as administrative support costs are required by the Bureau funding handbook to be charged to the program support subactivity for subsequent allocation to Bureau programs or must be coded directly to the benefiting Bureau program. In fiscal year 1998, the Bureau accumulated costs of $81.9 million in the program support subactivity. When the Bureau codes program support costs directly to a program, the costs lose any identity as program support costs.

In its budget justification for fiscal year 1998, the Bureau requested $587.5 million for the management of land and resources, of which $116.6 million was identified for workforce and administrative support. The Congress appropriated $583.2 million, which was to remain available until expended for the management of land and resources with no specific designation of an amount for program support. For fiscal year 1997, the Bureau requested $575.9 million for the management of land and resources, including $116.7 million for workforce and administrative support. The Congress appropriated $572.2 million, which was to remain available until expended for the management of land and resources, with no specific designation of an amount for program support. However, our prior reviews of Bureau activities disclosed that significant program support costs were charged directly to Bureau programs, even though the costs did not directly or indirectly benefit those programs.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Land Management allocated or directly charged program support costs to programs that benefited from the costs and allocated the program support costs fairly to all benefiting programs. The scope of the audit will include a review of costs incurred during fiscal years 1997 through 1999.

FACT SHEET

OVERSIGHT ACTIVITIES OF THE TRANS-ALASKA PIPELINE SYSTEM, BUREAU OF LAND MANAGEMENT

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Protect the environment, and preserve our Nation's natural and cultural resources.
Bureau: Reduce threats to public health, safety, and property.

BACKGROUND

The Trans-Alaska Pipeline System transports oil produced from the State of Alaska's North Slope across 800 miles of Federal, State, and private land to the Port of Valdez Terminal on the Prince William Sound. The pipeline was built between 1974 and 1977 and provides about 1.2 million barrels of oil daily. The pipeline is owned by a consortium of seven major oil companies. The pipeline was designed and built by Alyeska Pipeline Service Company, which also operates and maintains the pipeline system.

The laws and regulations intended to ensure the System's operational safety, oil spill response, and environmental protection require enforcement and monitoring by several federal and State agencies. These agencies are the Department of the Interior's Bureau of Land Management and U.S. Fish and Wildlife Service; the Environmental Protection Agency; the Department of Transportation's Office of Pipeline Safety; and the State of Alaska's Department of Environmental Conservation. In 1990, the Joint Pipeline Office was established to coordinate inspection and oversight duties of the pipeline. The Bureau of Land Management is the lead agency for carrying out the mission of the Joint Pipeline Office.

The Joint Pipeline Office employs about 75 Federal and State personnel, of which about 33 individuals are Bureau of Land Management employees and about 30 are State employees. Exactly which agency is responsible for a particular Trans-Alaska Pipeline System function is dependent on the location. Alyeska is responsible for reimbursing the Joint Pipeline Office for its expenses incurred in overseeing pipeline operations. The fiscal year 1999 budget for activities of the Bureau of Land Management's Pipeline Office activities was about $3.2 million.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Land Management (1) adequately resolved previous deficiencies identified in the General Accounting Office report "Trans-Alaska Pipeline Actions to Improve Safety Are Under Way" (No. GAO/RECD-95-162), dated August 1995, and in safety inspectors' reports and (2) the Joint Pipeline Office effectively accomplished its inspection and oversight duties. The audit will include a review of records pertaining to inspection and oversight activities that occurred from fiscal years 1995 through 1999.

FACT SHEET

MINERALS MANAGEMENT SERVICE FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The mission of the Minerals Management Service consists of two major objectives: (1) responsibility for the timely and accurate collection, distribution, accounting for, and auditing of revenues owed by holders of Federal and Indian mineral leases and (2) responsibility for managing the leasing, development, and production of mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the financial statements of the Minerals Management Service for fiscal years 2000 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Service complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures);

(3) the Service complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

PLATFORM REMOVALS AND SITE CLEARANCES, MINERALS MANAGEMENT SERVICE

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Protect the environment, and preserve our Nation's natural and cultural resources.
Manage natural resources for a healthy environment and a strong economy.
Bureau: Ensure environmentally sound Outer Continental Shelf mineral development.

BACKGROUND

The Minerals Management Service is responsible for resource evaluation, environmental review, leasing activities (including public liaison and planning functions), lease management, and inspection and enforcement programs for Outer Continental Shelf lands. In addition to these responsibilities, the Code of Federal Regulations (30 CFR 250.913, "Mineral Resources") requires lessees to remove all structures in a manner approved by the Service's Office of Structural and Technical Support (Office of Field Operations) in the Outer Continental Shelf regional offices located in Anchorage, Alaska; New Orleans, Louisiana; and Camarillo, California. When platforms are no longer needed, operators are supposed to submit plans for the proper abandonment of wells, the removal of platforms, and the clearing of sites to the Office of Field Operations, which is responsible for reviewing the removal and site clearance applications and making the appropriate recommendations to the Service's regional supervisor, who approves or disapproves such applications. According to the Code (30 CFR 250), the regional supervisor should ensure that the location has been cleared of all obstructions which could cause problems for other users of the Outer Continental Shelf area. The Service designed these requirements to prevent the endangerment of life, health, or damage to the environment and to ensure the structural integrity of platforms when subjected to hurricanes, earthquakes, ice, or other natural hazards and to boat collisions. Specifically, the Code (30 CFR 250.913) states:

> (a) The lessee shall remove all structures in a manner approved by the Regional Supervisor to assure that the location has been cleared of all obstructions to other activities in the area.

(b) All platforms (including casing, wellhead equipment, templates, and pilings) shall be removed by the lessee to a depth of at least 15 feet below the ocean floor or to a depth approved by the Regional Supervisor based upon the type of structure or ocean-bottom conditions.

(c) The lessee shall verify by appropriate means that the location has been cleared of all obstructions. The results of the location clearance survey shall be submitted to the Regional Supervisor by means of a letter from the company performing the work certifying that the area was cleared of all obstructions, the date the work was performed, the extent of the area surveyed, and the survey method used.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the operators complied with Minerals Management Service requirements for removing platforms and clearing the locations of all obstructions in the Gulf of Mexico's Outer Continental Shelf. This audit could, in part, determine whether the Service appropriately responded to the findings and recommendations contained in the General Accounting Office May 1994 report "Offshore Oil and Gas Resources: Interior Can Improve its Management of Lease Abandonment" (No. GAO/RCED 94-82). Also, the audit could determine whether applications are being approved in a timely manner in order to prevent unnecessary burdens on industry when it attempts to comply with the Service's regulations.

FACT SHEET

FOLLOWUP OF RECOMMENDATIONS FOR IMPROVING GENERAL CONTROLS OVER AUTOMATED INFORMATION SYSTEMS, MINERALS MANAGEMENT SERVICE

TYPE OF AUDIT

Performance (economy and efficiency and program results)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.
Service: Improve the cost effectiveness of mineral royalty collection and disbursement activities.

BACKGROUND

The Minerals Management Service's mission includes (1) collecting and disbursing revenues of about $4 billion annually that are generated from leasing Federal and Indian lands and for collecting royalties on minerals extracted from leased lands and (2) administering the Outer Continental Shelf leasing program and overseeing safe and environmentally sound exploration and production of offshore natural gas, oil, and other mineral resources. Royalty, rent, and bonus revenues that are produced from the mineral leases of the Outer Continental Shelf contribute about $3.5 billion of the $4 billion collected and disbursed by the Royalty Management Program. To support its mission, the Service operates and maintains automated information systems that consist of a mainframe computer; mini computers; personal computers and servers; and local, wide, and enterprise networks.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Minerals Management Service satisfactorily implemented the recommendations made in our prior audit reports on general controls over its automated information systems and whether any new recommendations are warranted. In addition, we will determine whether the Service's computer and network operations were in compliance with the Federal Financial Management Improvement Act.

FACT SHEET

IMPACT OF DEEPWATER ROYALTY RELIEF ACT OF 1995 (PUBLIC LAW 104-58), MINERALS MANAGEMENT SERVICE

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Manage natural resources for a healthy environment and a strong economy.
Bureau: Ensure that the public receives fair value for Outer Continental Shelf mineral development.

BACKGROUND

The Outer Continental Shelf is the source of 15 percent of United States crude oil production and 25 percent of natural gas output. Nearly all of this production (95 percent) comes from the central and western Gulf of Mexico. New prospects in these areas, especially in deeper water, and a small part of the eastern Gulf (off Alabama) are the center of current leasing interest on the Outer Continental Shelf.

During fiscal years 1996 and 1997, revenues from the sale of Federal offshore oil and gas leases totaled about $8.9 billion: royalties of $6.5 billion, bonus bids of $2.1 billion, and rents of $321 million. Historically, about 60 percent of the total amount has been retained by the U.S. Treasury in the General Fund. The remainder of the royalties were used for statutory contributions to the Land and Water Conservation Fund and the National Historic Preservation Fund, as well as for the states' shares of revenues from submerged lands. States share mineral rights on the first 3 miles (and in a few cases, as many as 6 miles) of the Federal Outer Continental Shelf adjacent to state lands because hydrocarbon fields can drain across Federal/state boundaries.

Public Law 104-58, Title III (the Deepwater Royalty Relief Act), enacted in November 1995, amended the Act to require that new leases in the central, western, and a small portion of the eastern Gulf of Mexico issued within 5 years of the date of the amendment be offered with a provision suspending royalties on a certain specified number of barrels of production, depending on water depth.

Leasing activity in the Gulf of Mexico has increased significantly since the passage of the Act. In its publication "Gulf of Mexico Outer Continental Shelf Daily Oil and Gas Production Rate Projections From 1996 Through 2000," the Minerals Management Service attributed much of the large increase in leasing activity in 1996 to the passage of the Deepwater Royalty Relief Act. Also, Service officials stated that significant advances in offshore drilling and oil and gas recovery technology in the past few years, which decreased costs by as much as 80 percent, have also contributed to the large increase in leasing activity. In addition, the Service estimated that by fiscal year 2000, as much as 65 percent of Gulf daily oil production and 28 percent of daily gas production will originate in water depths of more than 300 meters.

The Service also advised us that it expected 112 leases issued prior to the Royalty Relief Act to be producing in water depths of 200 meters or more by fiscal year 2002 and estimated that it would take from 42 to 45 months for a tract to produce oil and gas above the royalty suspension volumes. These leases could be granted royalty relief under provisions of the Royalty Relief Act if the lessor requests and the Secretary approves the request based on economic need. In that regard, the Department has already approved two companies for royalty relief. One company was granted relief in June 1998 on four leases of up to 52.5 million barrels of oil equivalent produced. The second company was granted royalty relief in May 1998 on three leases of up to 87.5 million barrels of oil equivalent produced.

AUDIT OBJECTIVE AND SCOPE

The objective of the evaluation is to determine whether the criteria and process used to extend royalty relief to companies were in compliance with the requirements and intent of the Royalty Relief Act. The scope of the evaluation will include a review of offshore oil and gas leases awarded prior to the November 1995 Act that have been approved for royalty relief.

FACT SHEET

FOLLOWUP OF NEGOTIATED ROYALTY SETTLEMENTS, MINERALS MANAGEMENT SERVICE

TYPE OF AUDIT

Performance (economy and efficiency and program results)

PERFORMANCE GOALS

Department: Manage natural resources for a healthy environment and a strong economy.
Bureau: Improve reporters' compliance with lease terms, rules, regulations, and laws.

BACKGROUND

The Minerals Management Service is responsible for managing mineral resources on the Nation's Outer Continental Shelf and for collecting and distributing lease and royalty revenues from Outer Continental Shelf, Federal onshore, and Indian lands. The Service's Royalty Management Program has frequently been involved in disagreements with states, tribes, individual Indians, and oil and gas companies concerning the amounts of royalties owed Federal/state governments, Indian tribes, and individual Indians.

The Administrative Dispute Resolution Act of 1990 allows the Service to negotiate settlements of royalty payments without going through extensive and costly adjudication and litigation processes. The negotiations for royalty settlements are requested by royalty payors that have appealed bills or orders. The Office of Enforcement of the Service's Royalty Management Program has primary responsibility for overseeing each royalty settlement. This responsibility is carried out through use of a negotiation team, composed of representatives from the Program divisions, the Office of Enforcement, and other Service and/or Office of the Solicitor personnel. If onshore or tribal monies are involved in a settlement, representatives of affected states or tribes are included on the negotiation team. As of March 1999, the Service had 124 settlements open.

In the September 1996 Office of Inspector General audit report "Negotiated Royalty Payments, Minerals Management Service" (No. 96-I-1264), we found that the Service had not complied consistently with the "Minerals Management Service Settlement Negotiation Procedures." As a result, we recommended that the Service document the estimated values of issues to be settled, arguments for reducing values of royalties before negotiations commence, and reasons why the values were reduced and that it obtain a written opinion from the Office of the

Solicitor as to whether the Service is required to release information on the Service's negotiation strategies to royalty payors under the Freedom of Information Act that could compromise future settlement negotiations. If the Office of the Solicitor determines that such information must be released, the Service should develop alternative procedures to ensure accountability and to ensure that settlements are negotiated in the best interests of the Government, states, Indian tribes, and Indian allottees. We also recommended that the Service offer Indian tribes the opportunity to exclude their issues from global settlements. In addition, tribal representatives should be included in negotiations of issues applicable to Indian tribes. When the report was issued, we considered the recommendation pertaining to global settlements resolved and implemented and the other two recommendations unresolved. To resolve the two recommendations, on February 25, 1998, representatives from the Service, the Solicitor's Office, and the Office of Inspector General agreed on settlement documentation guideline language that has been incorporated into the Service's Royalty Dispute Handbook.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Minerals Management Service satisfactorily implemented the recommendations made in our September 1996 audit report on negotiated royalty settlements and whether any new recommendations are warranted. The audit will consist of a review of selected settlements, including multiple (global), single, Federal onshore and offshore, state, and Indian oil and gas issues.

FACT SHEET

ROYALTIES ON TAX CREDITS FOR NONCONVENTIONAL FUELS, MINERALS MANAGEMENT SERVICE

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Manage natural resources for a healthy environment and a strong economy.
Bureau: Improve reporters' compliance with lease terms, rules, regulations, and laws.

BACKGROUND

Nonconventional fuels include gas produced from coal seams and tight geological formations. The Congress provided a subsidy to encourage development of the nonconventional fuels. The value of the tax credit has been approximately equal to the selling price of gas in recent years. In our August 1993 audit report (No. 93-I-1502) on tax credits for nonconventional fuels earned from gas produced on Federal and Indian leases, we stated that if the Service had required lessees to pay royalties on these tax credits, it could have collected additional revenues during 1989 through 1992 estimated at $74 million. We estimated that potential additional royalty revenues of at least $210 million would be available over the next 10 years through an aggressive collection program based on production remaining at the 1992 level. Further, because of expected increases in future gas production, the potential revenues have increased rapidly since 1993 and are expected to continue to increase rapidly through fiscal year 2002, when the tax credit expires.

In 1993, the Internal Revenue Service issued a revenue ruling which provided that owners of royalty interests are allowed an allocable share of the nonconventional fuels tax credit. Also in 1993, as a result of our prior audit, the Minerals Management Service obtained a Solicitor's opinion which stated that tax credits for nonconventional fuels were not part of gross proceeds and therefore were not royalty bearing. In a November 1995 development, the State of New Mexico initiated a program to "monetize" (sell the rights to the tax credits to a third party) its royalty interest from nonconventional fuels from state leases by auctioning off the royalty interests. This plan was approved by the Internal Revenue Service. The Solicitor's opinion, that the tax credits are not royalty bearing, does not appear to be consistent with the revenue ruling and the New Mexico program to monetize the royalty interest.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Minerals Management Service initiated the collection of royalties from monetized tax credits on nonconventional fuels. If not, we will determine the amount of potential revenues lost as a result of this decision. If so, we will determine whether the Service has a program to match production reported for royalty purposes with production reported for Federal income tax purposes and whether producers can be required, if no such program exists, to provide tax return information as a provision of their lease or by a rule making. We will review the circumstances of the New Mexico program as they relate to the 1993 Solicitor's opinion and Service activities related to the production of nonconventional fuels that occurred during fiscal years 1993 through 1997.

FACT SHEET

OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Office of Surface Mining Reclamation and Enforcement was established on August 3, 1977, and has two major functions: (1) regulating current surface coal mining operations to ensure protection of the environment during mining and reclamation of the land after the coal is extracted and (2) repairing lands affected by past coal mining operations that were unreclaimed and abandoned before the 1977 surface mining law was enacted. States are essentially responsible for regulating surface mining. Surface Mining reviews and approves the states' regulatory programs and provides technical assistance to help the states perform their responsibilities under the surface mining law.

Surface Mining collects reclamation fees from current mining operations for the repair of abandoned mine sites. Under the surface mining law, the reclamation funds are allocated to (1) states that have approved regulation programs (50 percent of the funds); (2) the Rural Abandoned Mine Program ($12 million annually); (3) the Small Operator Assistance Program (amount varies annually); and (4) Surface Mining (the remainder) to respond to environmental emergencies caused by abandoned mines.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the financial statements of the Office of Surface Mining Reclamation and Enforcement for fiscal years 2000 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Office of Surface Mining complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) Surface Mining complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

ADMINISTRATION OF STATE RECLAMATION GRANT PROGRAMS, OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Protect the environment, and preserve our Nation's natural and cultural resources.

Bureau: Repair, reclaim, and restore as much land and water as possible that were degraded by past mining.

BACKGROUND

Under the Surface Mining Control and Reclamation Act of 1977, grants are provided to states and Indian tribes that have reclamation programs approved by the Office of Surface Mining Reclamation and Enforcement. The grants are used to address problems such as underground fires, subsidence, landslides, open shafts, unstable or burning refuse piles, acid mine drainage, and highwalls. Funding for the grants and for the cost of Surface Mining's related monitoring and technical assistance is derived from the Abandoned Mine Reclamation Fund, which consists primarily of monies obtained from reclamation fees paid by coal operators.

In its budget justification for fiscal year 2000, Surface Mining requested $169.3 million for reclamation program grants to 24 states and 3 Indian tribes. The budget justification also showed that in fiscal year 1999, reclamation grant funding of $145.3 million was provided to states and tribes. In support of its reclamation program, Surface Mining provides grants management, technical assistance, and management of emergency projects for states that do not have approved programs.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Office of Surface Mining Reclamation and Enforcement administered its state reclamation grant programs efficiently and effectively and in accordance with applicable regulations and whether the state reclamation programs were operated efficiently and effectively and in accordance with grant agreements. The audit was requested by Surface Mining officials. The scope of the audit includes a review of the activities of state reclamation grant programs that occurred during fiscal years 1998 and 1999.

FACT SHEET

ABANDONED MINE LAND EMERGENCY PROGRAM, OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Protect the environment, and preserve our Nation's natural and cultural resources.

Bureau: Repair, reclaim, and restore as much land and water as possible that were degraded by past mining.

BACKGROUND

Title IV of the Surface Mining Control and Reclamation Act of 1977 established the Abandoned Mine Land Reclamation Program, which provides for the restoration of lands mined and abandoned or left inadequately restored before August 3, 1977. Implementation is accomplished through an emergency program and a nonemergency program. The emergency program is administered by both the states and the Office of Surface Mining Reclamation and Enforcement. Emergency projects are those having a sudden danger that presents a high probability of substantial harm to the health, safety, or general welfare of the public. The emergency program must respond quickly to provide relief in emergency situations because of the effects of an abandoned mine land site. Therefore, there must be adequate funds on hand for unforseen situations that pose a danger to the public.

Reclamation costs of Abandoned Mine Land projects are paid through the Abandoned Mine Reclamation Fund, which is composed primarily of fees levied on coal production. Under Section 410 of Public Law 95-87, the Secretary is authorized to expend moneys from the Fund for emergency restoration, reclamation, abatement, control, or prevention of adverse effects of coal mining practices on eligible lands. In 1998, the Abandoned Mine Land Emergency Program was provided funds of up to $18 million, of which no more than 25 percent could be used for emergency reclamation projects in any one state and no more than 61 percent, or $11 million, could be used for Federally administered emergency reclamation projects.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Office of Surface Mining Reclamation and Enforcement administered the Abandoned Mine Land Emergency Program efficiently and effectively and in accordance with applicable regulations. Specifically, we will determine whether (1) the Emergency Program has received sufficient funds for unforseen catastrophic events, (2) limitations on the disbursement of funds have been effective in accomplishing the Program's mission, and (3) emergency projects met the Program's criteria. The scope of the audit will include a review of the Emergency Program's activities that occurred during fiscal years 1998 and 1999.

FACT SHEET

<u>ADMINISTRATION OF STATE REGULATORY GRANT PROGRAMS, OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT</u>

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Protect the environment, and preserve our Nation's natural and cultural resources.

Bureau: Improve the Office of Surface Mining Reclamation and Enforcement's regulatory program for protecting the environment, people, and property during current mining operations and subsequent reclamation.

BACKGROUND

Under the Surface Mining Control and Reclamation Act of 1977, 24 states have programs approved by the Secretary of the Interior to regulate coal mining activities. The state programs are funded through grants issued by the Office of Surface Mining Reclamation and Enforcement and include the review and issuance of mining permits, inspection and enforcement, designation of lands unsuitable for mining, administration of bonding and bond release programs that ensure proper reclamation of land after mining, and administration of small operator assistance programs. In addition, some states that are authorized to perform the regulatory functions on Federal lands within state boundaries also receive funding through cooperative agreements with Surface Mining.

In its fiscal year 2000 budget justification, Surface Mining requested $50.7 million to fund 24 state regulatory programs at the maximum 50 percent Federal matching level. Additionally, this amount will provide full funding for 13 Federal lands' cooperative agreements with states and full funding of four tribal regulatory program development grants. Surface Mining reported that it provided grant funding of $50.7 million in fiscal year 1999 to its primacy states that had regulatory programs.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Office of Surface Mining Reclamation and Enforcement administered the state regulatory grant programs efficiently and effectively and in accordance with applicable regulations and whether the state regulatory programs were operated efficiently and effectively and in accordance with grant agreements. The audit was requested by Surface Mining officials. The scope of the audit will include a review of reclamation program and financial activities that occurred from fiscal years 1997 through 1999.

FACT SHEET

BUREAU OF RECLAMATION FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The Reclamation Act of 1902 (43 U.S.C. 391 et. seq.) authorized the Secretary of the Interior to locate, construct, operate, and maintain works for water storage, diversion, and development in the 17 western states. Between 1988 and 1994, the Bureau underwent a major reorganization as construction on projects authorized in the 1960s and earlier was completed, shifting emphasis in reclamation programs from construction to operation and maintenance of existing facilities. The Bureau's official mission is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. The Bureau of Reclamation comprises five regional offices and the Commissioner's offices in Washington, D.C., and Denver, Colorado.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the financial statements of the Bureau of Reclamation for fiscal years 2000 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Bureau complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Bureau complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

FEDERAL FINANCIAL SYSTEM, BUREAU OF RECLAMATION

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

Since 1985, the Office of Management and Budget, the Joint Financial Management Improvement Project, the Comptroller General of the United States, and the U.S. Department of the Treasury have issued guidelines and requirements for Federal executive branch agencies to standardize their accounting systems and to establish and maintain single, integrated financial management systems. In response to these directives, the Department of the Interior, through its Office of Financial Management, took action to standardize and integrate its accounting systems in part through the licensing of an off-the-shelf computerized financial accounting software system, known as the Federal Financial System (FFS), from American Management Systems, Inc. FFS comprises basic integrated financial software applications, such as accounts payable and receivable, general ledger, and travel, and provides flexibility to meet individual bureau needs. For standardization, the Department established guidelines for posting controls* and some edits. However, bureaus can select subsystems and edits and security and access controls.

The Bureau of Reclamation had less than 2 years from the time the Department required consolidated financial systems until the Bureau implemented the FFS in fiscal year 1989. The Bureau's FFS operates on a mainframe computer located in Denver, Colorado, that is maintained by the National Business Center, Office of the Secretary, and in part by the Bureau.

AUDIT OBJECTIVE AND SCOPE

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*Posting controls are processes that ensure accounting transactions are recorded to the appropriate general ledger account.

The objective of the audit is to determine whether the application controls**over the Bureau of Reclamation's Federal Financial System (FFS) are operating efficiently and effectively and whether the data maintained in FFS are adequately safeguarded. In addition, we will determine whether the Bureau's FFS is in compliance with the Joint Financial Management Improvement Project's "Core Financial System Requirements." We will review the application controls that are operational during fiscal year 2000.

**Application controls cover the functions of transaction authorization and approval; data preparation, validation, and input; error resolution; re-entry of data; communications; processing; storage; output; and file or database quality maintenance.

FACT SHEET

<u>SECURITY OF FACILITIES,</u>
<u>BUREAU OF RECLAMATION</u>

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: None.
Bureau: None.

BACKGROUND

The Bureau of Reclamation has 378 high-hazard and significant-hazard dams that have the potential for loss of life and property damage should they fail. The Bureau's 58 hydroelectric powerplants provide more than 40 billion kilowatt-hours of electricity and almost $1 billion in power revenues annually. Because the public has access to most of these dams and powerplants, the facilities are vulnerable to sabotage and terrorism. Accordingly, the Bureau is required to conduct security reviews and assessments of its facilities and to implement any needed security upgrades and enhancements. The Bureau uses Department of Justice guidelines in conducting the reviews. This activity received funding of $5 million for fiscal year 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Reclamation conducted security assessments of its facilities in accordance with requirements and upgraded and enhanced security as needed.

FACT SHEET

BILLING AND COLLECTION PROCEDURES FOR RECOVERING REIMBURSABLE COSTS OF WATER PROJECTS, BUREAU OF RECLAMATION

TYPE OF AUDIT

Financial (financial related)

PERFORMANCE GOALS

Department: None.
Bureau: None.

BACKGROUND

The Bureau of Reclamation constructs multipurpose projects that provide, in part, water for irrigation and municipal and industrial purposes. The amount of repayment of construction costs is determined by an allocation of the costs to the various project purposes based on the relative benefits to be received from each purpose. According to Reclamation law, the costs assigned to the irrigation purpose are reimbursable and are repaid interest free, while the costs assigned to the municipal and industrial purpose are reimbursable with interest. According to the Bureau, the total reimbursable irrigation and municipal and industrial investments for 133 projects were more than $10 billion. Reclamation law and policy provide the basis for the repayment of the reimbursable costs through either a repayment contract or a water service contract.

The Bureau also operates and maintains projects to ensure their operational readiness, operational and structural integrity, safety, and productivity. Operation and maintenance expenses are paid from sources such as Congressional appropriations and advances from states and water users. The Bureau determines the reimbursable amount of operation and maintenance expenses by allocating project expenses to the various project purposes. In accordance with Reclamation law, water users enter into contracts and agreements with the Bureau to repay their share of the Government's investment and operation and maintenance costs of those projects. The contracts and agreements include terms that establish repayment obligations, repayment periods (typically 40 years, but specific project legislation has authorized repayment periods up to 50 years), interest rates, and water rates. As of September 30, 1998, the Bureau had $16.7 billion invested in completed projects and $3.8 billion in construction in progress, totaling $20.5 billion of infrastructure, of which almost $18.45 billion (90 percent) is to be paid by project beneficiaries. Bureau budget authority for operation and maintenance has totaled about $275 million annually.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Reclamation's billing and collection procedures for recovering reimbursable costs for Bureau projects were effective and in accordance with applicable laws, regulations, and contract terms. Our audit will include a statistical sample of those Bureau projects that had outstanding repayment obligations as of September 30, 1999.

FACT SHEET

POLICY AND ADMINISTRATION APPROPRIATION, BUREAU OF RECLAMATION

TYPE OF AUDIT

Financial (financial related)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Policy and Administration appropriation finances all of the Bureau of Reclamation's centralized management functions. These functions include overall program and personnel policy management; equal employment opportunity management; safety and health management; budgetary policy formulation and execution; information resources management; procurement, property, and general services policy and management; public affairs activities; and organizational and management analysis. In addition to these day-to-day functions, special activities that require management oversight proposed for fiscal year 2000 include the following: (1) implementation of the National Performance Review requirements, (2) implementation of the Government Performance and Results Act strategic plan, (3) modernization of computers for year 2000 requirements, and (4) the updating of manuals and the preparation of technical publications. The appropriation funds activities of the Office of the Commissioner, the Denver office, and offices in the Bureau's five regions that are not directly chargeable to a specific project or program. According to the Energy and Water Development Appropriations Act of 1999 (Public Law 105-245), no other appropriation is available to fund activities or functions budgeted as policy and administration expenses, and such expenses are considered to be nonreimbursable as provided by the Fact Finders' Act (43 U.S.C. 377). According to the Bureau's budget justification for fiscal year 2000, the Policy and Administration appropriation enacted for fiscal year 1999 was $47 million, and $49 million was requested for fiscal year 2000.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Reclamation established adequate controls to ensure that only allowable management and administrative activities are funded by the Policy and Administration appropriation. The scope of our audit will include a review of obligations and expenditures charged to the Policy and Administration appropriations for fiscal years 1998 and 1999.

FACT SHEET

RECREATION MANAGEMENT BY NON-FEDERAL PARTNERS, BUREAU OF RECLAMATION

TYPE OF AUDIT

Performance (program results)

PERFORMANCE GOALS

Department: Provide recreational opportunities for the public to enjoy natural and cultural resources.

Bureau: Improve recreational opportunities through state, tribal, and local partnerships.

Meet public health, safety, and accessability standards by establishing policies, directives, standards, and guidance on recreation and concession management.

Prioritize 75 percent of the recreation facilities managed by the Bureau of Reclamation and/or managing partners that need to be improved to meet public accessibility standards.

BACKGROUND

The Bureau of Reclamation's 300 reservoirs and associated lands provide recreational opportunities to more than 80 million visitors a year in the 17 western states. More than 200 of the Bureau's recreational areas are managed by non-Federal governmental entities in partnership with the Bureau. Other Federal agencies, such as the National Park Service and the U.S. Forest Service, manage some of these recreational areas, including the Lake Meade and Whiskeytown-Shasta-Trinity National Recreation Areas. Under various types of agreements, the Bureau also authorizes non-Federal partners to manage more than 80 concessions operations such as marinas, campgrounds, swimming beaches, equestrian centers, and golf courses.

The Bureau's authority to support recreational opportunities is provided under the Federal Water Project Recreation Act, dated July 9, 1965 (Public Law 89-72), and the Reclamation Recreation Management Act of 1992 (Public Law 102-575). The Acts authorize the Bureau to enter into agreements with Federal and non-Federal partners to administer project lands and waters for recreation and, with some limitations, to develop the needed recreational facilities for the areas. The 1992 Act provided additional authority for the Bureau to expand existing recreational facilities and build new facilities in partnership with non-Federal interests and waived previous Federal cost-sharing limitations for these facilities. The Reclamation Manual contains directives and standards, established in 1998, for concessions management by non-Federal partners. Office of Management and Budget Circular No. A-25, "User Charges," requires that user charges be assessed against identifiable recipients of special benefits.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Reclamation ensured that non-Federal partners complied with the terms of the agreements and applicable laws and regulations. The scope of the audit will include a review of the Bureau's oversight of non-Federal partners' activities for fiscal years 1998 and 1999.

FACT SHEET

FACILITIES MAINTENANCE, BUREAU OF RECLAMATION

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Upgrade facilities.
Bureau: In fiscal year 2000, complete comprehensive and periodic facility reviews of approximately 83 of the 250 dam facilities in the Bureau of Reclamation's Dam Safety Program.
Prioritize 75 percent of the recreation facilities managed by the Bureau of Reclamation and/or managing partners that need to be improved to meet public accessability standards.

BACKGROUND

The Bureau of Reclamation is responsible for about $20.3 billion of property, plant, and equipment, of which about one-half ($10.2 billion) is maintained by the Bureau and the other half is maintained by various entities under contract with the Bureau. The Bureau's Water and Related Resources appropriation contained about $129 million for facility maintenance and rehabilitation in fiscal year 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Bureau of Reclamation maintained its facilities in accordance with Department of the Interior and Bureau requirements. The scope of this audit will include a review of facilities maintained by the Bureau as of September 30, 1999, but will not review facilities maintained by other entities under contract with the Bureau.

FACT SHEET

ACCOUNTING FOR REIMBURSABLE EXPENDITURES OF ENVIRONMENTAL PROTECTION AGENCY SUPERFUND MONIES, U.S. GEOLOGICAL SURVEY

TYPE OF AUDIT

Financial (financial related)

PERFORMANCE GOALS

Department: Protect the environment, and preserve resources.
Clean up the land.

BACKGROUND

Section 107 of the Comprehensive Environmental Response, Compensation Liability Act of 1980 (Public Law 86-510, commonly referred to as the Superfund Act), which was amended as the Superfund Amendments and Reauthorization Act of 1986, imposes a liability upon responsible parties for the costs of cleanup and for damage resulting from the release of hazardous substances. The Environmental Protection Agency, which administers the Superfund Act, is authorized to recover from responsible parties all costs incurred in assessing and remediating hazardous waste conditions, including survey costs. To recover such costs, the Environmental Protection Agency enters into reimbursable agreements with Federal agencies to obtain technical assistance to survey damage to natural resources from hazardous substances. The surveys are authorized under interagency agreements between the Environmental Protection Agency and the Federal agencies that conduct the work. Superfund project costs, including indirect costs, incurred by Federal agencies are reimbursable.

The U.S. Geological Survey is one of several Department of the Interior bureaus that conduct surveys for the Environmental Protection Agency under the Superfund Act. For fiscal year 1998, the Geological Survey stated that its Water Resources Division had Superfund expenditures of $4.6 million and estimated that the same amount would be expended for fiscal year 1999. The Geological Survey's Biological Research Division had fiscal year 1998 Superfund expenditures of $2.7 million and estimated that the same amount would be expended for fiscal year 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the U.S. Geological Survey complied with procedures for accounting for costs of reimbursable Superfund projects funded by the Environmental Protection Agency for fiscal years 1998 and 1999. Specifically, the audit will determine whether the Geological Survey (1) maintained accurate, complete, and current records on reimbursable project costs; (2) had sufficient and adequate documentation to support all costs charged to specific projects; and (3) obtained reimbursements only for actual costs.

FACT SHEET

U.S. GEOLOGICAL SURVEY FINANCIAL STATEMENTS FOR FISCAL YEARS 2000 AND 1999

TYPE OF AUDIT

Financial (financial statements)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The Congress enacted the Chief Financial Officers Act of 1990 to reform the fundamental financial management requirements and practices of obsolete and inefficient Federal systems. The purpose of the Act is to bring more effective general and financial management practices to the Federal Government by (1) improving the financial management functions of the Office of Management and Budget; (2) designating a chief financial officer in each executive department and major executive agency; and (3) providing for improvement in accounting and management control systems to ensure the issuance of complete, reliable, and timely financial information.

The U.S. Geological Survey publishes and disseminates scientific data and maps concerning water, land, and mineral resources. Its major mission is to undertake research, fact finding, and mapping aimed at enlarging the Nation's knowledge about the extent, distribution, and character of development and use of land, water, and the physical environment.

In fiscal year 1996, the National Biological Service's appropriation was transferred to the Geological Survey, and during fiscal year 1997, the National Biological Service's accounting operations were incorporated into the Geological Survey's accounting system. In addition, during fiscal year 1996, certain operations of the former U.S. Bureau of Mines were transferred to the Geological Survey.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the financial statements of the U.S. Geological Survey for fiscal years 2000 and 1999 were presented fairly and in accordance with applicable accounting standards; (2) internal controls were effectively implemented (that is, assurance was provided that the Geological Survey complied with applicable laws and regulations; safeguarded funds, property, and other assets against waste, loss, unauthorized use, or misappropriation; and properly recorded and accounted for revenues and expenditures); (3) the Geological Survey complied with applicable laws and regulations as required by generally accepted government auditing standards; (4) the internal control evaluation process was in compliance with the Federal Managers' Financial Integrity Act and Office of Management and Budget guidelines and requirements; (5) the financial information in the overview was documented, supported, and accurate; and (6) performance measures reported were in accordance with Office of Management and Budget Bulletin 97-01, "Form and Content of Agency Financial Statements."

FACT SHEET

GENERAL CONTROLS OVER AUTOMATED INFORMATION SYSTEMS, RESTON ENTERPRISE DATA SERVICES CENTER, U.S. GEOLOGICAL SURVEY

TYPE OF AUDIT

Performance (economy and efficiency and program results)

PERFORMANCE GOALS

Department: None.
Bureau: None.

BACKGROUND

The U.S. Geological Survey's Reston Enterprise Data Services Center operates and maintains a mainframe-based data center that provides a broad spectrum of data processing services for numerous sensitive application systems of the Department of the Interior and its bureaus, including the Department of the Interior's Federal Financial System for four bureaus and other Federal agencies and other systems for the Bureau of Indian Affairs, such as the Land Record Information System. During fiscal year 1998, the Services Center updated its mainframe computing capacity in part to comply with Office of Management and Budget Bulletin No. 96-02, "Consolidation of Agency Data Centers." The Services Center operates and maintains an IBM mainframe computer and leases space on that mainframe computer for data processing by the Services Center's clients, including the National Business Center. In addition, the Services Center operates and maintains communication networks that support data processing.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the U.S. Geological Survey's Reston Enterprise Data Services Center had developed adequate general controls over its automated information systems. Specifically, we will evaluate the general controls in the areas of security program development, physical and logical access, software development and change management, separation of duties, and service continuity. In addition, we will review the general controls over the mainframe computer, other computer hardware, and telecommunications networks.

FACT SHEET

ABANDONED SITES, WATER RESOURCES DIVISION, U.S. GEOLOGICAL SURVEY

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Clean up the land.

BACKGROUND

The U.S. Geological Survey's Water Resources Division conducts studies and investigations of hydrological conditions, which may be funded either in whole or in part by the Geological Survey or by other agencies or organizations. To perform this function, the Geological Survey installs structures and equipment such as river cableways, data collection stations, and observation wells to access and collect data. When these structures are installed on non-Federal property, the Geological Survey enters into a licensing agreement with landowners that assigns the Geological Survey responsibility for removing, filling, and/or plugging the sites when the hydrological study or investigation is completed. The Geological Survey also agrees to restore the property as nearly as possible to the same state and condition that existed prior to the excavation and/or installation of the structures.

According to Geological Survey documents, there were 1,030 sites at which hydrological structures needed to be removed and the sites restored as of September 1998. The Geological Survey listed 502 of these sites as being in poor condition and posing an "extreme" (242 sites) or "lesser" danger (260) to the public. While structures at the 528 remaining sites needed to be removed, they were not considered dangerous or significantly dangerous. The Geological Survey estimated that the cost to remove the structures and restore all of the sites would be $13,625,000.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the U.S. Geological Survey (1) developed and implemented a plan that would adequately address the removal of abandoned cableways, data collection stations, and observation wells and would restore the sites on which the structures are located and (2) took into consideration the cost of dismantling these structures and restoring the sites in determining the costs of joint-funded or reimbursable projects. The scope of the audit will include a review of Geological Survey actions taken during fiscal years 1998 and 1999 pertaining to abandoned sites.

FACT SHEET

BILLINGS AND COLLECTIONS OF ACCOUNTS RECEIVABLE UNDER JOINT-FUNDED AND REIMBURSABLE AGREEMENTS, U.S. GEOLOGICAL SURVEY

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Department: Produce reliable and accurate financial data.

BACKGROUND

The U.S. Geological Survey enters into joint-funded and reimbursable agreements with state and local governments, other Federal agencies, and other governments to assist these entities in managing water, biological, energy, and mineral resources. Joint-funded agreements authorize work that is performed for the mutual benefit of the Geological Survey and the cooperating party, and reimbursable agreements authorize work that is performed for a client's benefit. In general, joint-funded agreements are negotiated annually, although project work may be conducted over a 3- to 5-year period. The Geological Survey issues bills for joint-funded and reimbursable work in accordance with the terms of the agreement, which may provide for billing on a quarterly, semiannual, or annual basis.

Most of the Geological Survey's joint-funded and reimbursable agreements are issued by its Water Resources Division and its Geologic Division, which, according to the Geological Survey's fiscal year 1999 budget justification, recorded non-Geological Survey funding of $95.4 million and $5.4 million, respectively, in fiscal year 1998. Joint-funded and reimbursable agreements also account for most of the Geological Survey's accounts receivable, which totaled almost $159 million at the end of fiscal year 1997 and almost $163 million at the end of fiscal year 1998, including more than $100 million that was unbilled for each fiscal year. The Geological Survey estimated that accounts receivable of as much as $9.8 million in fiscal year 1997 and $5.7 million in fiscal year 1998 may not be collectible.

Federal guidance on billings and collections includes Title 4, Part 102, of the Code of Federal Regulations and the Debt Collection Improvement Act of 1996. Title 4 states that agencies should aggressively pursue collection efforts, issue demand letters, and implement "procedures that would lead to the earliest practicable determination as to whether the debt can be resolved administratively or must be referred for litigation." The Debt Collection Act requires agencies to transfer debt that is more than 180 days old to the Department of the Treasury for collection.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the U.S. Geological Survey billed and collected amounts due from state and local governments and from other Federal and non-Federal agencies in accordance with Federal laws and regulations and the terms of the joint-funded and reimbursable agreements that authorized the work. The scope of the audit will include a review of accounts receivable associated with joint-funded and reimbursable agreements recorded by the Geological Survey's Water Resources and Geologic Divisions in fiscal years 1997, 1998, and 1999.

FACT SHEET

MANAGEMENT OF FEDERAL GRANTS, DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE, GOVERNMENT OF GUAM

TYPE OF AUDIT

Financial related (grant)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Department of Mental Health and Substance Abuse receives block grants from the U.S. Department of Health and Human Services for the Community Mental Health Services, Prevention and Treatment of Substance Abuse and for the Project for Assistance in Transition From Homelessness programs and technical assistance activities related to the block grants for Community Mental Health Services Technical Assistance Centers for Evaluation. These block grants totaled $847,620 in fiscal year 1997 and $822,735 in fiscal year 1998. The Department had 2,500 clients each year.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Department of Mental Health and Substance Abuse administered its Federal grants in compliance with Federal laws and regulations relating to (1) the procurement of supplies and services and the administration of contracts, (2) the identification and allocation of costs for personnel and contract employees, and (3) the billing of and control over grant reimbursements. The scope of the audit will include a review of Federal grant transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

PROCUREMENT ACTIVITIES, DEPARTMENT OF PUBLIC WORKS, GOVERNMENT OF GUAM

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Department of Public Works is responsible for transportation functions related to highway and road construction, maintenance, and repair; the construction, maintenance, and repair of certain public structures and facilities; public safety activities related to the transportation and highway systems; school bus operations and use of 191 school buses; some Government of Guam vehicle repair functions; garbage collection and landfill operations; building inspections to ensure compliance with building codes; and activities related to architectural and engineering design, cost estimation, and oversight of public projects. The Department had an average of 745 employees for each of fiscal years 1998 and 1999 and had a budget of $24 million for fiscal year 1998 and $12 million for the first half of fiscal year 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Department of Public Works effectively complied with applicable laws and regulations in the procurement of services related to the driveway paving program; the Waste-to-Energy project; construction projects of the Government; and the acquisition of Government vehicles, including buses. The scope of the audit will include a review of procurement transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

CIVIL SERVICE COMMISSION, GOVERNMENT OF GUAM

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

Public Law 21-42, enacted on September 14, 1991, and later amended by Public Law 21-59, enacted on September 27, 1991, mandated the implementation of a uniform and unified system of position classification and salary administration for public employees. The system of position classification and salary administration resulted from a study of government personnel salaries and job classifications known as the Hay Study. The Hay Study, completed in 1990, established a unified pay schedule for all Government of Guam positions and was adopted by Public Law 21-59.

Public Law 21-59 identifies the Civil Service Commission as the entity responsible for administering the implementation of a unified pay schedule and of the Hay Study methodology. Public Law 21-59 also requires a compensation policy by which compensation will be equivalent to United States national average salary levels in comparable labor markets and take into account relevant economic factors. The compensation policy states that pay equity within the Government of Guam should be reviewed annually and competitiveness with non-Government salaries should be reviewed every 3 years.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Civil Service Commission effectively administered the unified pay schedule and conducted the required pay equity and competitiveness reviews. The scope of the audit will include a review of the administration of the unified pay schedule and application of the Hay Study methodology that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

STREETLIGHT AND POWER LINE EXTENSION COSTS, GUAM POWER AUTHORITY, GOVERNMENT OF GUAM

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Guam Power Authority was created as an autonomous agency by the Guam Legislature through the Guam Power Authority Act of 1968 and is authorized to incur debts to improve and expand the electrical system to provide reliable electrical power to the island of Guam. The Authority has, in the past, borrowed funds for this purpose and has pledged its revenues as a source of repayment. The most recent borrowing was in the amount of $240 million, which is to be repaid solely from the Authority's revenues, which are derived from the sale of power.

The Authority's gross revenues were $199 million in fiscal year 1997 and $184 million in fiscal year 1998. Historically, the Authority's cost to connect signal lights with power lines has ranged from $8,000 to $20,000 per light.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine (1) Guam Power Authority compliance with its Service Rules and Procedures in installing streetlights and power line extensions of more than 200 feet, including entering into contractual agreements or promissory notes with the individuals or entities for reimbursement of the costs of such installations, and (2) the potential impact of the unreimbursed costs of any such installations on future power rates. The scope of the audit will include a review of expenditure transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

PROCUREMENT ACTIVITIES, GUAM MASS TRANSIT AUTHORITY, GOVERNMENT OF GUAM

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Guam Mass Transit Authority was created to establish, develop, promote, and operate public transportation systems, including determining the present and future transportation needs of Guam, installing and maintaining parking meters, and operating and maintaining self-supporting public parking facilities. The Authority issues and monitors contracts for operations of the Guam Public Transit system, which provides both regularly scheduled and on-request transit services to the public, and the Guam Para-Transit system, which provides transit services to individuals who have disabilities. The Authority has 28 buses and 15 vans that are used for public transportation. The Authority is governed by a five-member Board of Directors appointed by the Governor and confirmed by the Legislature.

The Authority has maintained its own accounting functions since 1990, and its activities are accounted for as an enterprise fund. The Authority had a budget of $2.3 million for fiscal year 1998 and $2.8 million for fiscal year 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Guam Mass Transit Authority complied with applicable laws and regulations in purchasing new buses after Typhoon Paka struck Guam in December 1997 and in maintaining its buses and controlling their use. The scope of the audit will include a review of Authority procurement transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

FOLLOWUP OF LAND MANAGEMENT PRACTICES, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Division of Public Lands, Department of Lands and Natural Resources, is responsible for managing and disposing of public land from the former Trust Territory of the Pacific Islands Government. The Division's primary functions include the following: (1) managing public land in accordance with a land use plan, (2) coordinating public land exchanges, (3) controlling the use of public lands through leases and permits, and (4) developing and administering homestead programs. The Division manages approximately 55,000 acres of public land.

In March 1996, the Office of Inspector General issued an audit report (No. 96-I-596) on the Commonwealth of the Northern Mariana Islands administration of public lands for the period of October 1989 through September 1994. The report stated that public land exchanges were not of equal value, current real estate appraisals were not obtained before public lands were exchanged, and public land was being encroached upon without any enforcement action. As a result, the Commonwealth lost $118.4 million on land exchanges and lease revenues of $25.1 million when the exchanged land was subsequently leased to developers. The Commonwealth also lost lease revenues of $565,000 for leases on government land and could lose an additional $469.2 million over the remaining period of existing leases. In addition, homestead recipients improperly received $7 million from the unauthorized sale or lease of their lots. We made seven recommendations to correct the problems identified. However, there was no response to the audit report, and all of the recommendations are therefore unresolved.

AUDIT OBJECTIVE AND SCOPE

The objective of the followup audit is to determine whether the Division of Public Lands, Department of Lands and Natural Resources, implemented the recommendations contained in our 1996 report and whether any new recommendations are warranted. The scope of the audit will include a review of transactions involving public lands that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

SELECTED CONSTRUCTION CONTRACTS, DEPARTMENT OF PUBLIC WORKS, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

Title 1, Division 2, Chapter 8, of the Commonwealth Code established a Department of Public Works to be headed by a Director of Public Works. The Department is responsible for (1) constructing and maintaining all public works and roads unless otherwise provided by law; (2) constructing, maintaining, and operating public signs, traffic signals, public vessels, public buildings, and other public works facilities previously maintained by chartered municipalities unless otherwise provided by law; and (3) repairing and maintaining government vehicles.

The single audit report on the Commonwealth of the Northern Mariana Islands for fiscal year 1997 stated that Department of Public Works expenditures totaled $13.4 million from the General Fund, $2.2 million from various capital projects funded by the U.S. Department of Transportation, and $10.7 million from capital improvement projects funded by the U.S. Department of the Interior.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) the Commonwealth of the Northern Mariana Islands construction projects were planned, designed, administered, and managed efficiently and effectively and (2) construction contracts were awarded and monitored in accordance with applicable laws and regulations. The scope of the audit will include a review of construction projects that were in progress during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

AIR MARSHALL ISLANDS, INC., REPUBLIC OF THE MARSHALL ISLANDS

TYPE OF REVIEW

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

Until April 1990, two airlines existed as wholly owned corporations of the Republic of the Marshall Islands. Airline of the Marshall Islands, Inc., was incorporated in 1980 to provide domestic air carrier service within the Marshall Islands. Air Marshall Islands, Inc., was incorporated in October 1989 to provide international air carrier service to and from the Marshall Islands. On April 1, 1990, the two airlines merged under the name Air Marshall Islands, Inc., to provide both domestic and international air carrier service. As of October 30, 1997, Air Marshall Islands had issued 1,164,773 shares of common stock, which was owned by the Republic of the Marshall Islands government (4.67 percent), the Marshall Islands Development Authority (39.54 percent), the Marshall Islands Development Bank (29.95 percent), and the Republic of the Marshall Islands Investment Development Fund (25.84 percent). However, the members of the airline's Board of Directors are appointed by the Republic's Cabinet and are not elected based on common stock ownership. For example, the Marshall Islands Development Bank does not have a member on the airline's Board of Directors. As of 1998, the airline's Board of Directors consisted of four Republic Ministers (elected politicians) and three members appointed from the private sector.

According to the Air Marshall Islands single audit reports, during the past 7 years the airline has incurred operating losses totaling $21.2 million. Specifically, in 1992 and 1994, the loss was $5.3 million, and in 1997, the loss was $2.8 million. To help minimize and also to fund these losses, the Republic of the Marshall Islands government, since 1990, has (1) transferred ownership of government-purchased aircraft (which had previously been leased by the airline) to the airline, (2) directed the exchange of debt for common stock of about $12.4 million, (3) provided operating subsidies of about $23.5 million, and (4) expended $15.8 million to purchase a Saab 2000 aircraft for the airline. Despite this financial support, as of September 30, 1997, the airline had a reported cumulative year-end deficit of $13.3 million.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether Air Marshall Islands, Inc., used funds obtained either directly or indirectly from the Compact of Free Association efficiently and effectively and in accordance with the Compact and the Republic’s 5-year development plans. The scope of the audit will include a review of airline transactions involving Compact funds that occurred from the beginning of the Compact of Free Association in 1986 through fiscal year 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

ASSESSMENT AND COLLECTION OF TAXES, AMERICAN SAMOA GOVERNMENT

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

Title 11 of the American Samoa Code Annotated contains the laws related to income taxes, excise taxes, and tax incentives for businesses. American Samoa's Comprehensive Annual Financial Report for fiscal year 1995 (the most recent report issued) reported a total of $29.9 million in tax revenues.

In June 1994, the Office of Inspector General issued an audit report (No. 94-I-651) on the American Samoa Government's estimated financial condition for the period of October 1, 1990, through March 31, 1993. The report stated that "American Samoa (1) did not ensure that individual and business taxpayers paid their assessed income taxes timely, (2) did not process tax collection cases timely, and (3) sometimes allowed political considerations to impede tax collection efforts." According to the Treasury Department's Tax Manager and its Tax Advisor, as of March 31, 1993, American Samoa had taxes receivable of $4.8 million, of which $3.7 million (77 percent) was 90 or more days past due. In addition, both the Tax Manager and the Tax Advisor stated that American Samoa had lost tax revenues of at least $734,000 during fiscal years 1992 and 1993.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the American Samoa Government (1) implemented the recommendations contained in the June 1994 audit report and (2) effectively assessed and collected income taxes. The scope of the audit will include a review of taxes collected during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

<u>ADMINISTRATIVE FUNCTIONS, LEGISLATURE OF THE VIRGIN ISLANDS, GOVERNMENT OF THE VIRGIN ISLANDS</u>

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Legislature of the Virgin Islands was established by Section 5 of the Revised Organic Act of the Virgin Islands as a unicameral body composed of 15 members elected to 2-year terms. The Legislature operates in two districts, St. Croix and St. Thomas/St. John, and has main offices at Charlotte Amalie, St. Thomas, and branch offices on the islands of St. Croix and St. John. The Legislature is generally exempt by the Virgin Islands Code from the personnel management, procurement, and property management requirements applicable to the Executive Branch of the Government of the Virgin Islands. However, payroll and vendor payment transactions are processed through the Government's Department of Finance for payment. Legislative employees are unclassified appointees and are not included in the Government's Personnel Merit System. The Legislature has about 270 employees, and its operating budget was about $15 million for fiscal year 1998 and $14.9 million for fiscal year 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Virgin Islands Legislature carried out its administrative functions related to personnel management, procurement, and property management in accordance with applicable laws and regulations. The scope of the audit will include a review of the Legislature's administrative transactions that occurred during fiscal years 1997, 1998, and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

ADMINISTRATION AND COLLECTION OF EXCISE TAXES, BUREAU OF INTERNAL REVENUE, GOVERNMENT OF THE VIRGIN ISLANDS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Virgin Islands Bureau of Internal Revenue was established under Title 33, Chapter 20, of the Virgin Islands Code to administer and enforce the laws imposing the following taxes: corporate and individual income, gross receipts, trade and excise, hotel occupancy, highway users, production, gift, inheritance, and fuel. The Bureau has five major divisions: the Director's Office, the Processing Branch, the Delinquent Accounts and Returns Branch, the Audit Enforcement Branch, and the Computer Operations Branch.

Under authority of Title 33, Section 42, of the Virgin Islands Code, the Bureau can assess and collect excise taxes on goods, merchandise, or commodities brought into the Virgin Islands for disposition or sale in the course of trade or for any other business purpose, such as processing or manufacturing. Excise taxes are deposited into the General Fund of the Government of the Virgin Islands. The Government's Executive Budget estimated that excise tax collections would total about $16 million for fiscal year 1998 and $18.3 million for fiscal year 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Virgin Islands Bureau of Internal Revenue effectively administered the excise tax law and collected excise taxes, including applicable penalties and interest. The scope of the audit will include a review of excise tax transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

<u>PUBLIC FINANCE AUTHORITY, GOVERNMENT OF THE VIRGIN ISLANDS</u>

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Public Finance Authority is a public corporation of the Government of the Virgin Islands established by Act No. 5365, the Government Capital Improvement Act of 1988. According to the Act, the Authority's purpose is to aid the Government in performing its fiscal duties and in effectively carrying out its governmental responsibility of raising capital for essential public projects. Under the enabling legislation, the Authority is vested with, but not limited to, the power to borrow money and issue bonds and to lend bond proceeds or other money to Governmental agencies. In addition, the Authority is responsible for investing its funds and arranging for the investment of the funds of the Government or any agency, authority, or instrumentality.

The most recent audited financial statements issued by the Authority were for fiscal year 1996. At that time, the Authority had assets of about $377.6 million (primarily loans receivable from Government agencies) and liabilities of about $342 million (primarily bonds payable). The Authority's administrative expenses for fiscal year 1996 totaled about $700,000. In May 1998, the Authority issued bonds of $541 million, the proceeds of which were used to refinance existing bonds of $257 million, pay off a bank loan of $106 million that the Government secured in January 1998 to pay a portion of outstanding income tax refunds and vendor invoices, and fund various capital improvement projects.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Virgin Islands Public Finance Authority (1) raised capital for essential public projects in the Virgin Islands effectively, (2) invested its funds effectively, and (3) granted and administered loans appropriately. The scope of the audit will include a review of Public Finance Authority transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the audit period reviewed.

FACT SHEET

HOUSING FINANCE AUTHORITY, GOVERNMENT OF THE VIRGIN ISLANDS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Housing Finance Authority was created as a public corporation and autonomous instrumentality of the Government of the Virgin Islands with authority to promote home ownership programs in the Virgin Islands. Title 21, Section 103, and Title 29, Chapter 1, Subchapter IV, of the Virgin Islands Code define the Authority's role in fostering affordable home ownership, administering the urban renewal program, and eliminating "impoverished" areas in the Virgin Islands. The Authority is vested with the power to issue bonds and notes, borrow capital, accept Federal grants, and invest in property and securities to meet its objectives. Also, the Authority must comply with local and Federal guidelines involving the eligibility of applicants.

The Authority's most recent audited financial statements were included as part of the single audit report of the Government of the Virgin Islands for fiscal year 1994. The Authority's annual operating budget totals about $400,000, and the Authority also receives annual grants of about $1.5 million from the U.S. Department of Housing and Urban Development to administer the home ownership program. In March 1995, the Authority was authorized to issue bonds of $27 million to construct 250 moderate-income homes to be sold to qualifying residents, with commercial bank mortgages that would pay off the Authority's bonds being assumed by homeowners.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Virgin Islands Housing Finance Authority (1) used Federal and local funds for their intended home ownership program purposes, (2) ensured that contractors fulfilled their contractual obligations, and (3) ensured that applicants met eligibility requirements for home ownership. The scope of the audit will include a review of Authority transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

VIRGIN ISLANDS LOTTERY, GOVERNMENT OF THE VIRGIN ISLANDS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Virgin Islands Lottery office is responsible for managing and operating the Government-run lottery system. Specifically, the Lottery office determines (1) the type of lottery to be conducted, (2) the price of tickets or shares in the lottery, and (3) the number and size of the prizes on the winning tickets or shares. In addition, the Lottery is responsible for distributing its total revenues, in accordance with Virgin Islands law, as follows: (1) transferring no less than 8 percent of gross ticket sales to the General Fund of the Government of the Virgin Islands; (2) paying prizes to holders of winning tickets or shares; (3) paying all costs incurred in the administration of the Lottery; and (4) transferring, not less than four times each year, all remaining proceeds to the General Fund, provided that the Lottery maintains a reserve fund in an amount approved annually by the Legislature. The Virgin Islands Lottery Commission, headed by the Commissioner of Finance, is responsible for carrying out the provisions of the law creating the Lottery office.

The most recent (unaudited) financial statements for the Virgin Islands Lottery were for fiscal year 1996. During fiscal year 1995, the Lottery had revenues of $13 million, cost of goods sold of $10.5 million (primarily the payment of prizes), and operating expenses of $3.2 million. This resulted in a net operating loss of more than $700,000. Additionally, as of September 30, 1996, the Lottery owed $2.4 million to the Government's General Fund, which represented unpaid contributions based on 8 percent of gross ticket sales. In its operating budget for fiscal year 1998, the Lottery estimated gross revenues of $18.2 million, cost of goods sold (primarily the payment of prizes) of $14.8 million, and operating expenses of $3.6 million, for a net operating loss of about $200,000.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Virgin Islands Lottery office (1) had adequate procedures and management controls in place for the disposition of revenues from ticket sales, the payment of prizes, and the disposition of unsold lottery tickets and (2) distributed its revenues in accordance with legal requirements. The scope of the audit will include a review of Lottery office transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

BILLING AND COLLECTION FUNCTIONS, VIRGIN ISLANDS PORT AUTHORITY, GOVERNMENT OF THE VIRGIN ISLANDS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Virgin Islands Port Authority is an autonomous agency of the Government of the Virgin Islands that manages the territory's municipal aviation and marine facilities and certain other real properties which were transferred to it by the Federal Government. The Authority was established in 1968 by Act No. 2375 and is governed by a 9-member Board of Directors. The day-to-day operations of the Authority are headed by an Executive Director, who is appointed by the Board. The Authority has the authority to acquire property and to construct, develop, improve, operate, and manage properties under its control.

The operations of the Port Authority are subject to laws contained in the Virgin Islands Code and regulations of the Federal Aviation Administration (with regard to airport properties). Among other provisions, these laws and regulations require the Authority to charge service and concession fees and rental rates that fully compensate it for the use of its facilities. Accordingly, the Authority levies a variety of fees for access to its aviation and marine facilities and for the use of its properties. The Authority also has a statutory responsibility to encourage the widest possible diversity of use for its facilities consistent with sound fiscal management.

The Port Authority's most recent audited financial statements were for fiscal year 1997. For that year, the Authority had total income of $35.3 million, including $6.6 million from the rental of managed property. The Authority estimated that rental income would average about $6.5 million per year at least through the year 2000.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Virgin Islands Port Authority (1) managed property and facilities to maximize rental and concession revenues; (2) accurately assessed and promptly collected amounts owed by tenants, concessioners, and other users of Authority facilities; and (3) controlled cash collections effectively. The scope of the audit will include a review of Authority revenue transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

ADMINISTRATIVE FUNCTIONS, DEPARTMENT OF HOUSING, PARKS, AND RECREATION, GOVERNMENT OF THE VIRGIN ISLANDS

TYPE OF AUDIT

Performance (economy and efficiency)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Department of Housing, Parks, and Recreation was created in 1987 by Act No. 5265. It is headed by a Commissioner and has offices on St. Thomas and St. Croix. The Department's primary mission is to provide rental accommodations and affordable home ownership dwellings to low- and moderate-income residents of the Virgin Islands. The Department is also responsible for enforcing rent control laws in the Virgin Islands and for developing and maintaining public recreational facilities, parks, and open spaces. The Department's operating budget was about $7.1 million for both fiscal years 1998 and 1999. According to the Government's Executive Budget for fiscal year 1999, the Department received a Federal grant of $3 million in fiscal year 1997 to install energy saving and solar energy lighting at ballparks and other recreational facilities. However, the budget indicated that no Federal grants were expected for fiscal years 1998 or 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether the Virgin Islands Department of Housing, Parks, and Recreation carried out its primary administrative functions of personnel management, revenue collection, procurement, and property management efficiently and effectively and in accordance with applicable laws and regulations. The scope of the audit will include a review of Departmental administrative transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

PUBLIC ASSISTANCE PROGRAM GRANTS, DEPARTMENT OF HUMAN SERVICES, GOVERNMENT OF THE VIRGIN ISLANDS

TYPE OF AUDIT

Financial related (grant)

PERFORMANCE GOALS

Not applicable

BACKGROUND

The Department of Human Services was established in 1988 under the Government Reorganization and Consolidation Act of 1987. Among other responsibilities, the Department provides financial aid and other services to children and families who have insufficient income and resources to meet budgetary needs in accordance with Department and Federal requirements.

The Department's Division of Financial Programs is responsible for providing financial aid under a variety of public assistance programs. These programs include Aid to Families With Dependent Children, Old Age Assistance, Aid to the Blind, Aid for Permanently and Totally Disabled, General Assistance and Special Temporary Assistance, Emergency Assistance to Families With Dependent Children, Emergency Assistance, Emergency Welfare Services, and General Disaster Relief. The amount of assistance payments is determined by comparing family income with a standard of basic and special needs. Basic need payments to families with no income can range from $154 (one child) to $263 (three children). Recent changes in the Federal welfare laws, however, have placed additional restrictions on recipients of financial assistance, which include requiring the recipients to obtain training for and actively seek employment so that they can be taken off the welfare rolls.

The U.S. Department of Health and Human Services funds 50 percent of the administrative costs and 75 percent of the assistance payments (up to a legal cap of $2.8 million) under the Public Assistance Program. In fiscal year 1998, there were about 4,500 participants in the various financial assistance programs. The operating budget for the Public Assistance Program (including Federal grants) was about $4.2 million for fiscal year 1998 and $4.7 million for fiscal year 1999.

AUDIT OBJECTIVE AND SCOPE

The objective of the audit is to determine whether (1) Federal and Virgin Islands funds for the Public Assistance Program were expended in accordance with grants terms and applicable laws and regulations and (2) individuals receiving assistance payments met eligibility requirements. The scope of the audit will include a review of public assistance transactions that occurred during fiscal years 1998 and 1999 and policies and procedures in effect for the period reviewed.

FACT SHEET

VIRGIN ISLANDS WATCH COMPANY QUOTA APPLICATIONS, VIRGIN ISLANDS

TYPE OF AUDIT

Financial related

PERFORMANCE GOALS

Not applicable

BACKGROUND

Public Law 97-446 authorized duty exemptions for a specified number of watches and watch movements produced or manufactured in a United States insular area for entry into the customs territory of the United States. The U.S. Department of Commerce and the U.S. Department of the Interior have joint responsibility for the Watch Program by setting the annual duty-free quantities among the territories and eligible watch producers.

AUDIT OBJECTIVE AND SCOPE

The objective of the review is to determine the accuracy of watch shipment, salary and wage, and income tax payment data reported in the companies' Forms ITA-334P, "Application for License To Enter Watches and Watch Movements Into the Customs Territory of the United States." The scope of the review will be limited to calendar year 1999 data reported by the watch companies in their Forms ITA-334P for watch quotas to be allocated for calendar year 2000.